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# A PLANNED SOCIETY

BY

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NEW YORK

THE MACMILLAN COMPANY

1933

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Published May, 1932.  
Reprinted August, 1932; January, 1933.

PRINTED IN THE UNITED STATES OF AMERICA  
BY THE POLYGRAPHIC COMPANY OF AMERICA, N. Y.

To  
HERBERT CROLY  
1869–1930





I am indebted to *The New Republic*  
for permission to reprint much of  
the material in this book.

G. S.



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## A PLANNED SOCIETY



## CHAPTER I

### AN OLD NEW ERA (1920-1930)

THE decade began in pretense and ended in bewilderment. It was outwardly ruled by institutions and codes in which, inwardly, we were coming to disbelieve. Propaganda and publicity took the place of faith. Individuals, forced by increasing pressure of circumstance to act as members of society, denied social validity. Revolt was an emotional necessity, but it had little hope and less dignity. It scurried up innumerable blind alleys. The dominant cohesive effort in our order endeavored stubbornly to impose on a new age the forms of thought and behavior appropriate to ages that had passed. The story of the decade is the story of their supremacy and eventual discomfiture.

In order to understand the past decade, we must begin before the war.

One of the deepest dispositions in human nature is to find a way of thinking that gives meaning to one's activity. We identify ourselves with religions, with historic processes, with arts, with leaders, with social orders. These give us a place, a system of relationships; we are oriented in relation to fixed points of reference. For amusement we sometimes invent and play within



wholly artificial systems of meanings—golf, baseball, or bridge. Though we know these pursuits are artifices, they often become meaningful enough to absorb us for hours at a time. But something that we know is invented, that we are conscious we are playing at, fails to satisfy most of us for long. There must also be a system of values which has validity outside that which we deliberately bestow upon it. We need relationship to something larger than ourselves and outside of ourselves, something which commands ultimate emotional loyalty. We need meanings which are sustained by faith. This is the strength of such systems as those of religion or patriotism.

As the doctrinal foundations of religion became undermined by modern scepticism, and as the limitations of patriotism in the traditional sense began to be revealed, these systems of values lost, for a majority of the more sensitive and intelligent, the touch of reality. Recognized as artifices, they became formulae empty of faith, at which one might play, but which failed to supply dependable points of reference. But if the supernatural vanished into shadow, the natural remained. And if exclusive national destiny ceased to be a congenial doctrine, at least there remained humanity. Science and human values began to absorb that loyalty and enthusiasm which older systems had lost. As we increased our knowledge of nature and our power over it, we exalted man in the universe. And man meant, not only individual men, but collective man. The attention of our leaders of thought was irresistibly attracted

to the fulfillment of human life on this earth through the instruments of science and society.

It is profoundly untrue, to be sure, that either religions or patriotisms ever did or could ignore the relationship between man and society. Any system of values is hollow unless it fits collective human behavior. Man is a gregarious animal, and the older systems had to provide him with moral sanctions for his ways of living in groups, no less than did the newer ones. One difference was that the older systems had become adapted to existing, or previous states of society. Their sanctions were largely opposed to change. But rapid changes were occurring, and the newer systems of science and social theory placed their sanctions on the process of becoming, on the future relationships which they imagined. The newer systems were different also in that they explicitly rested their whole faith upon mundane society, ignoring such things as life after death or abstract national glory. We were more than ever homeless in the universe unless we could live in the life of our fellows.

Before 1914, there had been a naïve faith in millennialism. Science and invention were preparing the way for the fulfillment of civilization. New wonders seemed daily to enlarge the powers and satisfactions of mankind. Injustices and confusions existed, but there was belief that they would shortly be surmounted. The intellectual leaders of the time directed attention toward the common life, and prescribed one or another type of remedy for its ills.

The war shocked us by its revelation of the survival

and diabolical power of forces which the late Victorian had jauntily assumed were buried with the old centuries. But at the same time it intensified the drive for social change. This conflict, we thought, was the death spasm of a passing order. War and revolution are twins. A large body of opinion supposed that the anachronistic forces of destruction were personified by Germany and would finally be shut into the past with her defeat. Once this ugly task was completed, something could be done. We could proceed to organize a new civilization, fit for the maturity of the human race. International peace and justice, making possible disarmament, would be established by some League of Nations. As for economic organization, you could choose among a number of well-defined and neatly cohesive schemes of reform or revolution. The socialists had one program, the syndicalists another, the guild socialists a third, the consumers' coöperatives a fourth. The Catholic intellectuals, opposing the "servile state," offered their program of "distributivism". Almost all sensitive and active minds were engaged in one public cause or another, whether it was feminism and votes for women, the enlargement of the labor movement, the political program of the British Labor Party, the Plumb Plan for the railroads in the United States, or nationalization of the mines. We read, and debated about, H. G. Wells, Bernard Shaw, Sidney Webb, G. D. H. Cole, Georges Sorel, or G. K. Chesterton and Hilaire Belloc.

These ideas and efforts were significant in that they provided an outlet for the personality. They attracted

people because they appeared to offer genuine values. The tides of the world were flowing, and carried us along. We saw successively the Russian, German and minor revolutions, the turbid political movements of labor in other nations, the great strikes in basic industries even in this country, wherein millions of men were fighting for status in coal, steel, railroads. These activities engrossed emotions, they drew people out of themselves, they provided something to do and something to think. There was a faith that the individual was related to society, that what he could do would have some effect upon it, that social forces in turn would confer values upon him. The times were turbulent, dangerous, uncertain, and full of meaning.

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This belief in millennialism, the new decade, beginning in 1920, ended with a full stop. The first collapse came in international affairs. As the controversy raged over the war settlement, it became clear that all the destructive forces had not been embodied in one nation and one ruling class, that we could not chop off the head of the old tyrant with a single stroke. Imperialism, secret diplomatic intrigue, militarism, the spirit of national aggrandizement, those personal devils which the less cynical had been led to believe were to be defeated with Germany, raised their heads everywhere. The Treaty of Versailles, with its economically and politically unstable provisions, was the result. The League of Nations was erected askew on unsound foundations. Vested interests were sluggishly determined that noth-

ing really new should come about—only a shifting of the kaleidoscope of dominance from one set of powers to another. They had used Wilsonian idealism, enlisting the moral energy which it released in this country and all over the world, in behalf of their hidden purposes. They finally exposed it as a dangerous fraud. The younger generations came to believe that the War had been a death spasm, not so much of the old, the ugly and the detestable, as of facile idealism and meaningless morality. They would take care not to be wasted again in any such exhausting millennial effort. The more expansive and generous impulses of mankind were distrusted as traitors to personal integrity. The young chose, for the sake of their souls, to be incredulous and hard-boiled.

The United States, revolting inchoately against the whole liberal mythology of the War, returned to the dogma of isolation. Americans had been brought up on the belief that their country embodied a new hope, a civilization different from that of Europe, and superior to it. We had turned aside to engage in a European struggle and had got nothing out of it—not even the ideals and the new world for which we had been told we were unselfishly fighting. The groups which all along had denied these international ideals gained supremacy. Though it was impossible for the reactionary forces to acknowledge that our participation in the War had been a mistake, they justified it, not as a combat for positive purposes and a new civilization, but as chastisement of a single foreign power which had offended and threatened us. That done, we must withdraw again within our

shell. We must repudiate all collaboration with Europe, all internationalism. We must raise tariffs on foreign goods, exclude foreign immigrants, embargo foreign ideas. We must collect the War debts in full. Americanism was to be our salvation.

The international retreat gave a signal for retreat on all fronts within the United States. The only meeting ground of minds was the conviction that terrific mistakes had been made, that the world was in a bad way. But this conviction led, not to a unified and orderly advance, but to a rout of scattered forces, each of which sought protection in setting up distinctions as a basis for hatred, fear and denunciation. Primitive and exclusive dogmas were exhumed as means of salvation.

In politics, we had the "return to normalcy," which consisted in electing as President one of the shallowest, cheapest and most boss-ridden politicians in the Senate, under whom an era of corruption thrived which was unprecedented in our history, and who died on the verge of public disgrace.

In industry, we had the drive to scrap every vestige of control in the interest of the public or the consumer which had been built up during the War, combined with a determined effort to prevent the erection of anything better in its place. We had the indiscriminate attack upon all the newer economic and social theories, in the name of patriotism, by means of denunciation, spying, provocation, blacklists, illegal seizures and searches, deportations, suppressions and imprisonments. We had

the warfare against labor organization and collective bargaining, carried on under the banner of "The American Plan," and executed by means of propaganda, corruption, under-cover work, injunctions, hired thugs and police forces subservient to employing interests. The acquisitive individualistic business man was enthroned, without check or restriction from government, consumer, press or labor, as the supposed master of our economic destinies.

This revulsion was far from being a mere scramble of selfish persons for private gain. It had its own philosophy, ardently invoked and sincerely believed. It was a retreat to American national fundamentalism—the belief that our all-wise and prophetic group of "founding fathers" had brought into being a final Constitution which needed, not to be changed or perfected with the passage of the decades and the centuries, but to be preserved intact. It was the belief that the Americans were a chosen people, superior to all others, who would fulfill their miraculous destiny and prosper in their land by prosecuting their own concerns in the traditional individualistic way and by incanting the Bill of Rights (with special emphasis on the right of property).

In social matters also we saw numerous retreats to fundamentalism, close cousins to that above. Pseudoscience invented the "Nordic" race, proclaimed that it was superior to all others, that it was our dominant native stock, and that our chief mistake had consisted in failing to keep it pure. The Ku Klux Klan was the vulgar expression of this faith; the form taken by our

immigration exclusion laws was its political expression; the D. A. R. and similar bodies restated it in the language of historical idolatry and furbished it up in social respectability.

In religion, fundamentalism retreated to the pre-scientific era of thought. The War and all its evil consequences were attributed (perhaps rightly enough) to the decay of religious orthodoxy, and the remedy proposed was to reëstablish the deliquescent forms of faith. We must exclude from our minds and our practice whole centuries of mental change. Evolution must not be taught in the schools. Spiritual revival was to be sought in assertions of literal belief in old religious absolutes.

The moral crusaders concentrated their efforts largely about the legal prohibition of alcoholic beverages. A single personal bad habit was made responsible for the ills of the world. The effort to banish it was granted precedence over every other interest and activity. Attitudes on this question were made the sole touchstone of political virtue—no matter what else might happen. Like all the other sincerely asserted dogmas of the period, this was characterized by its exclusiveness and its negative character. The effort was not to educate rounded, self-controlled personalities capable of temperance, or to build a society in which other more wholesome interests and impulses would crowd out the disposition to get drunk, or even to bring the distribution of alcoholic beverages under rational control, but to forbid the sale and use of them entirely, with the assumption



that if this were done, human welfare would automatically result. And the reaction against prohibition was of an almost equally negative character, in its more voluble embodiments. It emphasized a return to constitutional or to state rights, and demanded merely a sterile and pointless freedom.

To retreat, to exclude, to suppress, to forbid, to force the acceptance of some absolute—these were the directions taken by the mass of the dissatisfied. The desire for meaning, for fixed points of reference, sought out such tribal and ancient gods. And, to the intelligent young and disillusioned, to the incredulous and hard-boiled, all these movements appeared to be of a piece with the millennialism, the reformism, the social and scientific “progress” which had been in the ascendant before and during the War. All alike were cheats, all alike betrayed the personality, all must be distrusted and rejected.

Most intimately symptomatic of the character of a period is the activity of its artists and intellectuals. This may sound strange in the ears of a generation who have perceived a chasm between the intellectuals and the great public. The artists and poets were ill at ease in the America of the nineteen-twenties; it was not their home. Likewise the great public ignored, ridiculed or failed to make meaning out of the work of the artists and poets whom it could not beat down or seduce to its own ways of life. Nevertheless, the very existence of such a chasm is a sign of a disintegrated society. And

the work of the writers themselves revealed, in their world, the same blind retreat in the search for dependable values which the social movements expressed in business, labor, politics, social affairs, religion and reform.

The most influential leader of dissent in the decade was Henry L. Mencken. He was lusty in the ridicule of shams and shibboleths. He invented a forceful language with which to carry on his boob-thwacking, his yokel-baiting. A large band of followers found immense pleasure in his violent expression of their revulsion against prohibition, cheap politics, patriotism, Rotary-Club business, old-fashioned religion and even democracy itself. This assault became doubly attractive because it implied no trace of responsibility on the part of the revolter. It was wholly cynical. Nobody had an obligation to do anything better; no substitute was suggested; no revolution was in the background. Either you were a boob or you weren't. The sign of being a boob was to believe in something. In that case you were just a laughing stock. The sign of not being a boob was that you found the boobs funny. In that case you were just a superior person who could do, or refrain from doing, anything you liked, so long as you laughed at others. The key to the world was a facile popularization of the Nietzschean theory. Persons were divided into two classes—superior persons and inferior persons. The chief delusion of history was that the inferior persons were of any account whatever except as vulgar nuisances. They could do nothing for themselves and nothing should

be done for them. The only duty of the superior person was to himself.

This doctrine, like the more popular ones which it was so useful in exposing, was negative and exclusive. To belittle its usefulness would be like belittling the germ of cowpox which is employed to immunize against smallpox. Nevertheless, Mr. Mencken was running up a blind alley. The inferior cannot be banished, and the society of which both they and the superior are parts may sorely limit the freedom of the superior to pursue their superiority. Moreover, Mr. Mencken's test of being superior was found to be inadequate. People began strongly to suspect that not all those who read *The American Mercury* because they liked to laugh at boobs and yokels showed unmistakable signs of being supermen. The circle of the enlightened, the free and the boisterously cynical became too large for true exclusiveness. Those who could not avoid the suspicion that being superior was something beyond and above taking pride in the assumption of superiority began to fall away.

Sinclair Lewis, who in many respects is in debt to Mencken, presents, like him, the curious spectacle of a writer in revolt against his age who was accepted by such large numbers of the generation which he satirized that he gained popularity among his victims. He is more kindly than Mencken; he is sorry for his Babbitt rather than savage toward him. But his vogue was not derived from any alternative which he had to present, or even from an undefined feeling that there was any real,

though unexpressed, philosophy in the background of his mind. Though he catalogues endlessly the follies, inadequacies and fallacies of contemporary society; though he mimics with untiring energy the speech and action of a long gallery of contemporary small persons, one feels that he is judging them by an ill-assorted set of standards including an assumed metropolitan or cosmopolitan smartness, a romanticized nobility of science, and a vague feeling that in some way, to which he has not given much attention, Americans ought to be more significant and less crude. He revealed large numbers of readers to themselves, but by such a flickering light that their chief motive for accepting the revelation appeared to be a dislike of appearing as puny as Lewis evidently thought them. Lewis taught them what it was good form to avoid, but did not inspire them with any deep desire to be anything else.

More importance may be attached to the less popular writers who have earned the praise of small groups of the discerning. Among these T. S. Eliot has exerted a profound though narrow influence. He felt keenly and expressed with a new rhythm, in a complex of rapidly shifting images and allusive phrases, the dreariness, the emptiness, the vulgarity of the modern scene. Such a poem as "The Waste Land" expresses the epitome of disgust which is felt for contemporary values by the more cultivated, the lovers of proportion and order. It is, above all else, a work of withdrawal. Only the more sensitive to literary qualities can even skim the feeling from its surface. And to read it with real comprehension

requires either the possession of exhaustive scholarship in the classical and contemporary literatures of several languages, or the study of pages of annotations which occupy almost as much space as the poem itself. Eliot deliberately shuts himself away from the public which he intellectually despises, however he may suffer for that public emotionally.

His conception of poetry itself is an exclusive one. It "is not a turning loose of emotion, but an escape from emotion; it is not the expression of personality, but an escape from personality. But, of course, only those who have emotion and personality know what it means to want to escape from them." And to what does he want to escape? Not to the future, nor to a sense of relationship with actual or possible collective life. In "The Sacred Wood" he also writes, "I do not find that any drama which embodies a philosophy of the author's (like Faust) or which illustrates any social theory (like Shaw's) can possibly fulfill the requirements [of art]." And again, "The Shavian drama is as hybrid as the Maeterlinckian drama is, and we need express no surprise at their belonging to the same epoch. Both philosophies are popularizations: the moment an idea has been transferred from its pure state in order that it may become comprehensible to the inferior intelligence it has lost contact with art."

Though this sounds like a declaration of a pure aesthetic, accompanied by the denial of value in any order of thought whatever, Eliot is insistent that the poet needs standards, order, religion, though he must not

propagandize them. He continually returns to values of the past, which, he supposes, exist in a truer sense than those of the present. He is too intelligent to advocate merely a superficial antiquarianism: the better values of other ages must live in the poets. But does he really find it possible to believe in these values? As Edmund Wilson shrewdly remarks in "Axel's Castle," "We feel in contemporary writers like Eliot a desire to believe in religious revelation, a belief that it would be a good thing to believe, rather than a genuine belief." Eliot withdrew from America to London, he raised a barrier between himself and general understanding, he escaped from his emotions into hard and brilliant verse, he retreated from the philosophies of his age to Anglo-Catholicism and Royalism. Of course, he will accept these creeds, not as active movements in which he must participate in order to reform society, but as static solaces for his personality. In this sensitive nature the period has thrown off an absolute negative, a great denial. Eliot is the symbol of the inability of the poet to be at home in our culture, except in the furthest recesses of his own imagination. It is inevitable that, if he retains his sensitivity, he will fail to find rest even there.

James Joyce represents another heroic retreat from stereotyped language, meaningless surfaces and pointless action. With infinite pains he has penetrated beneath the appearances of character and the interplay of activity which is so largely an empty game for hollow ends, to show the flow of the partly conscious or the un-

conscious personality. He is even more incomprehensible to the average reader than Eliot, though there is no evidence that he takes pride in this fact; apparently it is to him a matter of supreme unimportance. Joyce is the one distinguished Irishman of his generation who withdrew totally from the Irish struggle for freedom. Such things mean nothing to him. And the reason appears in reading "Ulysses." Bloom, the protagonist, is on the surface a man interested in politics and liberal movements, he represents the public who, as Ezra Pound says, reads H. G. Wells. In reality, however, with every detail of his unexpressed and barely conscious mind revealed, he is as puny, inconsequential, ineffective, full of impulses commonly called carnal and dirty, as anybody else. Joyce has no axe to grind or movement to serve; as an artist he throws himself wholeheartedly into the attempt to bring new insights to bear on personality, inventing a new language with which to do it. But implicit in his view is the conclusion that there is no nobility in the surface attitudes which have passed for heroism in politics or social effort, that there would be no achievement of better values in the gaining of their ends, because the persons who proclaim these attitudes and seek these ends are essentially petty—though he does not wholly despise their pettiness.

Though Marcel Proust began his work in an earlier time, his recent vogue among cultivated English-speaking readers is a symptom of the period. He represents a spoiled class, utterly removed from the imperatives of action or the necessity to deal with the

hard externals of gaining a living, but hypersensitive and suffering from the subtle emotional malaise of persons who have little to do except worry about themselves. His great imaginative power, his intense and dramatic feeling, are concentrated on the tragedies of a decaying society composed in great part of neurotics; his backward looking desire is symbolized by the very title of his novel, "A la Recherche du Temps Perdu." Insulating himself from the too disturbing world in his cork-lined chamber, suffering from the lack of attention which had been provided for him by his mother, sleeping all day, he strove heroically in the solitude of the night to find contact with a reality from which he shrank in activity, by a fine-spun attempt to create it in literature.

Ernest Hemingway is of a younger generation than these other writers. Though more brilliant than most of his contemporaries, he typifies them in many respects. His novels picture the disintegration of the world for those who began to live for the first time during and after the War, its ironic lack of meaning, its senseless and inscrutable tragedies. Adrift in this chaos, his characters throw aside convention and sentimentality; the more admirable are so because of their refusal to be deceived by anything and their courage to carry on in spite of lack of hope, courage well concealed under laughter at the ridiculous nature of their plight. They give not a moment's attention to the forces which move society—what the world does to them is conceived as fate, utterly beyond understanding or control. Their



eyes are concentrated on the individual; their virtue consists in being hard-boiled, gay, reckless, secretly sorry for themselves, determined to die if they must, but never to surrender. What they despise is anything soft, anything with the least taint of pretense, whether in language or behavior. They, too, have executed a retreat—an honorable retreat, to be sure—but a withdrawal inside the individual shell hardened against a disgusting world. And the discerning reader is not long deceived by the hard exterior; it covers a core of sensitivity which is not without its own sentimentalism in so vigorously rejecting any relationship between the individual and the collective life except that of attack and defense.

There were many other forms of personal or imaginative retreat—to Paris, to the South Seas, to semi-scientific cults of ego-centric psychology, even, in more cases, it would appear, than during a happier period, to drunkenness or perversion. The terrifically powerful instinct to live, and to live in some organized and meaningful way, colliding with the immovable lump of our social environment, threw off brilliant sparks, rebounded in dozens of haphazard directions, or flowed through devious and dark channels. The fault was not of the will to live, or of the desire for order or significance, or of the revolts which it impelled. The fault was rather that the values and vehicles of all this activity were inadequate; that they had not sufficient relevance to the social environment by which life was conditioned. This defect ran like a weak and broken strand all the way through the fabric of most of the contemporary systems

of meaning, from the crude Ku Kluxism and fundamentalism to the most elaborate literary creations of Joyce or Proust.

It may be objected by someone that all this is of little consequence in the lives of the people as a whole. Most of them take little part in agitations or reforms of any kind. Minorities carried on the reactionary political and social movements after the War, just as minorities were conscious of the ideas of the literati. People in general are not immersed in thought; they live by habit; they accept the forms and frames in which they are brought up; they are busy making a living, getting married, having children, occupying what leisure they have with what amusements are at hand. So long as they are in good health and are sufficiently supplied with material things they have a comfortable, animal sense of well-being which is fundamental, and on which everything else moves but as froth on the surface. Their deep placidity may irk the poet or the critic, but it does not disturb those who experience it. Any religion, any system of meaning, which happens to be accepted by the majority or by large sections of it will do well enough just because it is accepted. We need not worry about those few who are too intelligent—or too crazy—to live the ordinary life.

Let us assume, for the moment, that this is true. Let us assume that the more sensitive, the different, the creators of values are of no consequence, and that if they dislike what goes on, this is simply their own misfortune.

Let us assume that the only valid leaders are those who do accept and celebrate the prevailing standards of the majority—and there is no lack of such leaders. Still, we should have to record that the majority were in this decade misled and eventually betrayed by the standards they accepted.

Normalcy: it meant the subordination of politics, religion, literature and the arts to business, and the suppression even of economic movements believed inimical to the supremacy of the business man (like labor organizations or agricultural factions). There is no question that, during this decade, business was supreme. That does not mean that business itself was organized to control economic life. We were not dominated by an industrial government or an economic dictatorship; far from it—economic processes went on in the usual unplanned and competitive anarchy, tempered here and there by groups of monopolistic special privilege. Business controlled politics and the press—but only for the sake of disarming any threat of further control over itself, only in order to maintain the freedom of a hydra-headed private enterprise to do what it pleased, or what it could.

The stimulus was supposed to be competition for profit, the means of advance was business ingenuity making use of science, the result, “prosperity.” In prosperity, the more alert and deserving would gain riches, and would inevitably pull along after them the general population; only the defective, the lazy and the unthrifty would suffer privation, and about these it was

unnecessary to worry. Charity would care for them sufficiently to satisfy the conscience of professed religion.

As if to sanction this creed, prosperity came. It was subject to brief and comparatively slight interruptions in 1924 and 1927, but it was swept on apparently by irresistible force. Late in the decade, statistical measures were applied to it, and, being published, were incorporated as the more substantial part of the prosperity myth, which had by this time captured a large popular faith. The purchasing power of the national income per capita of the population grew 22 percent between 1922 and 1928—and the figure of 1922 had been about the same as that of 1913. We were, on the average, nearly one-fourth better off than before the War, and the gain had been made in six or seven years. Primary production was growing at the rate of two and a half percent a year, manufacturing production at the rate of four percent a year, railroad transportation at the rate of four percent. These measurements were not in delusive dollars, which may buy more or less according to what prices are, but in actual physical quantities of goods made and shipped. And, when we came to the financial results by which everything else was finally judged in the minds of the dominant groups, the record was even more startling. Profits of all industrial corporations were growing—in the aggregate, and including the laggards as well as the leaders—by no less than nine percent a year. At this rate they would double in less than a decade. Dividend payments of industrial and miscellaneous corporations increased nearly seven per-

cent a year. And the prices of industrial common stocks had been rising at the astounding rate of fourteen percent a year even by 1927, before the final great bull market started.

Other figures might be recorded, to the extent of volumes—but it is unnecessary for the present purpose to do more than remind ourselves that, however transitory prosperity was, it had substance while it lasted. It was not a mere delusion, a mere manipulation of paper values, a mere point of view. Our industrial plant actually turned out and distributed a volume of goods larger than ever before known in the world, larger per capita than in any other country, and with a rapidity of growth which was almost, if not quite, unprecedented.

No wonder that business was triumphant, and that a popular literature and a popular faith was built up about it. Observers came from other nations to discover how we had done it. They wrote their impressions in flattering terms. Our own writers enlarged upon the theories the foreigners advanced. Toward the end of the period, a full and rounded myth of prosperity had been furbished out to supply the need for an object of faith.

We had, by and large, been the beneficiaries of good luck; but the result was pictured as the result of conscious policy and control, exercised in behalf of the public welfare. The myth was a rationalization of what had happened.

There was, for instance, the doctrine of the economy of high wages, which assumed that employers, having decided that high wages were necessary in order to

supply the workers with sufficient purchasing power to absorb the increasing quantity of goods produced, deliberately paid high rates. They could do so because engineering marvels enabled them to produce continually increasing quantities of goods at continually lower costs.

There was the doctrine of steady improvement in efficiency and scientific method, the benefits of which were rapidly conveyed to the public in the form of reduced prices and improved products, products widely distributed by means of extremely energetic salesmanship and advertising. Instalment credit was enabling every one to have automobiles, radios, and many other new luxuries, thus furnishing a stimulant to production which was assumed to be permanent.

There was the doctrine of the spreading of ownership and the large profits therefrom throughout the entire population by means of almost universal acquisition of securities, and especially of common stock—a comfortable doctrine which removed any obligation to be troubled by the fact that profits were growing much more rapidly than wages or small salaries. There was the doctrine that business, by merger into larger and larger units, was rationalizing itself for the production of better service and bigger profits. To link the whole together, all fears for the future were banished. We were in a “New Era” wherein not only would poverty be abolished but everyone would become rich. The sign and symbol of this was in an endless bull market in Wall Street, about which, at the end of the period, the entire

national consciousness and will appeared to be gathered with an almost religious enthusiasm.

The same objective economic analysis which had verified the cheerful figures also called attention, however, to some deep shadows in the picture—shadows which the purveyors of the myth chose to minimize or overlook. Out of every 10,000 gainfully occupied persons, 1858 were farmers. Their purchasing power had dropped from \$4,481,000,000 in 1918 to \$2,888,000,000 in 1921—these figures represent dollars having the same value as in 1913. After 1922 there was a slight average gain in farmers' incomes, but only a slight one. Over 250,000 farmers and their families were forced to give up their calling and move to the cities within five years. Nearly half the farmers, those whose land had a relatively low value, had no gain whatever over their pre-war standards of living.

Bituminous coal mining and textiles—two of our greatest single industries—were suffering chronic depression; both coal miners and cotton textile workers were, at the end of the period, receiving lower wages on the average than when "prosperity" began. A study of income in "Recent Economic Changes," made under the direction of the National Bureau of Economic Research, set forth the conclusion that sections of the country comprising somewhat less than half the population—the East North Central, the Middle Atlantic and the Pacific Coast Regions—were the only ones in which an average gain of income had occurred; the other regions—New England, the South, the Middle West and the Moun-

tain States—had not, on the average, shared in prosperity at all.

As for the economy of high wages, the figures show that the largest average increase in purchasing power had taken place at a time when employers and bankers had been doing their best to keep wages down. During the 1920-1922 depression the effort was to "deflate" wages because prices were falling. As a matter of fact, employers were unable to reduce wages as fast as prices fell, and the result was that when full employment returned in 1923 the workers could buy considerably more than in 1920. When it was seen that this increase in real wages coincided with active business, the doctrine of the economy of high wages gained its vogue. In spite of this doctrine, the average manufacturing worker's yearly income was reduced \$55 between 1923 and 1928, according to Dr. Willford I. King. The average miner's yearly income dropped \$184 between 1922 and 1927. The only wage gains during this period were made in industries where, regardless of any advance in productivity, or regardless of the employers' attitude, the labor organizations were strong—railroads, building construction, printing, clothing. Meanwhile, there was a disturbingly large volume of unemployment, not accurately known, but estimated by Dr. Leo Wolman at a minimum of 1,500,000 for even the most prosperous years, and rising to not less than 2,315,000 in 1927.

Nor did the public benefit by lower prices as a result of technical gains, to anything like the extent which these gains would have warranted. Though precise



figures to support this conclusion are lacking, it is a reasonable inference from the fact that the prices of manufactured goods showed no great drop—they did not fall nearly so much as those of raw materials, to say nothing of following downward the reduced costs indicated by the figures of high productivity per man-hour. This conclusion is reinforced by the enormous and rapid growth of industrial profits. The gains of technology went, in the main, not to increased incomes for wage-earners, recipients of salaries or farmers, or to reduced prices, but to larger profits.

Rapidly expanding consumers' credit, largely in the form of instalment selling, did enable the great public for a while to enlarge its purchases of the growing volume of goods produced. But, with cash incomes failing to increase, there was a limit to the expansion of credit which could be extended to consumers. The limit appears to have been reached in 1928 and 1929. The careless mortgaging of future income dwindled when that future income arrived and was found to be little if any larger than the income previously received.

And the final symbol of prosperity—general sharing of industrial profits by speculation in stocks—turned out to be a delusion. Nobody knows how many stockholders there were at the peak of the speculative mania, but the belief that they included every elevator boy and boot-black was undoubtedly fallacious. There were far fewer than was generally supposed. Millions of farmers and industrial workers at least never had enough surplus to indulge in this pastime. Of course the great avalanche

of 1929-1932 wiped out the gains of those who thought they were getting rich by this process.

Meanwhile things were going on in the rest of the world which gave the lie to the aspiration of exclusive nationalism in economic affairs. When we were beaten to our knees at home, we began to look about us and discover that there were substantial obstacles abroad to a resumption of our former activity. World markets for wheat and cotton, depressed by unsold surplus stocks, opposed stubborn handicaps to agricultural prosperity. World-wide collapse of credit and failing opportunities for foreign investment decimated markets for other products. Our prosperity, even while it lasted, had been an isolated phenomenon which was steadily being undermined by economic confusion outside our borders.

Thus the popular faith in business and the trust in prosperity lost its morale in a veritable debacle. The public which had ignored other values was betrayed by the gods it had chosen. It was no more happy or successful, in the end, than the minorities which it had despised. Its high road had withered into an overgrown footpath through a seemingly impassable wilderness. The common fate of thwarted ambition had cast its shadow over everyone. The "New Era" furnished no dependable system within which people could live their lives. Advance into it was revealed, not as progress, but as retreat. Bewilderment was universally acknowledged, and almost everyone felt the need of something really new.

## CHAPTER II

### AN UNMANAGED CIVILIZATION

IN THE decadent decade of 1920–1930, there was always a minority who tried to direct change into something really new, those who, at its beginning, were deeply enough infected by the faiths of millennialism so that they neither gave up hope nor retreated to earlier dogmas. These persons, sometimes called liberals, sometimes progressives, sometimes radicals, differed among themselves, but they all continued to look outward and forward rather than inward or backward. Why did they have so little effect either on affairs in general or on the more sensitive minds of the generation in the United States?

The chief answer to the question, which it is the purpose of this chapter to elaborate, may be stated in a sentence. Our civilization appeared to be unmanageable. Whatever one believed ought to be done about it, he could find no way of accomplishing his purpose. If one remained aloof from social effort, civilization trampled like a stupid giant over his life; it conditioned his work, his amusement, his aspiration, without regard to the inner compulsions of the man himself. If one tried to alter or control it, he became entangled in a thicket of impenetrable confusion. Radicals grew tired; social

philosophers wove intricate Penelope's webs which put off action; hard-headed skeptics retreated to the pursuit of minor and personal ends. Even if civilization was not really so unmanageable as it seemed, at least it seemed so unmanageable that many of those whose effort would have been necessary to manage it refused to make the attempt, and so it remained unmanaged in fact.

Perhaps the most obvious strain of disillusion was that concerning political democracy. Arguments to demonstrate the futility of this instrument sprang from many sources, to reinforce common observation. Henry Adams' "Degradation of the Democratic Dogma" was revived and had an enormous intellectual success. Henry L. Mencken's "Notes on Democracy" provided a picturesque overstatement of the case. Psychologists like Terman gave us discouraging reports on the intelligence of the average man; political scientists, even those who, like Walter Lippmann, combatted Terman's conclusions, indicated the great difficulty of influencing the popular mind toward intelligent judgments, by their studies of public opinion. We discovered anew the power of political machines and the futility of dislodging them by spasmodic popular uprising. We discovered the inherent weaknesses even of political government itself.

An enthusiast who hoped to introduce some order or change into our civilization by means of politics, and who naïvely started with the historical assumptions of democratic government, would soon discover, either by

reading and reflection, or as a result of his experience, at least some truth in the catalogue of defects which the skeptics had drawn up. These defects did not, in certain localities or rare instances, prevent able and disinterested men from winning office, but they did paralyze much action and turn many away from projects of using the State for social purposes. Let us list the more important of those which appeared to many to be true, without assuming that all of them are wholly true:

The average man or woman is not intelligent enough either to understand public questions or to elect those who do. He is moved chiefly by fears, desires and envies, which can easily be played upon by demagogues, but can only with difficulty be enlisted by disinterested leaders, except when such leaders have extraordinary genius.

Modern civilization is so far-flung and complex that even intelligent citizens cannot understand most of the questions they are supposed to decide. Compare a town-meeting voting appropriations for roads with a national election which is supposed to pass upon questions of currency or the tariff.

Government is run, not by common citizens choosing representatives to serve them, but by professionals who make a business of politics, and who conduct this business for self-interest and profit. Political machines are the necessary instruments for nominating candidates, financing and carrying on campaigns. Political machines are costly to operate. They must be maintained by the patronage of appointments, by graft, and by campaign contributions from those who have favors to seek from government. Service to the citizen, if it arises out of the operation of this huge business—in which the two principal parties are merely commercial competitors for the plums of office—is purely incidental. The best the dissatisfied citizen can do is to transfer his custom from one political profiteer to another.

As a rule, the richest political machine wins the elections, because persuading voters is a matter, if not of direct bribery, as in some close contests, at least of costly publicity and advertising, which involves the hiring of expert talent and the payment for canvassing, travelling expenses, halls, radio, postage and advertising space, to say nothing of influence exerted on leaders of opinion. The consequence is that various rich groups employ politics to exploit the rest of the community.

Efforts to defeat machine control of politics, whether by spasmodic uprising of non-professionals, or by changes in the legal machinery, such as direct primaries and a broader extension of popular election, are in the end futile, because they merely create more instrumentalities through which self-seeking professionals may work.

More and more citizens, despairing of the results of politics, and cynical of its personnel and processes, do not vote at all. Politics as an instrument of popular will therefore atrophies.

For some of the dissatisfied, such faults were identified with the two old parties, and it was thought that by means of a new party, government might be renovated. But the difficulties of gaining power through a new party have been insuperable in the United States ever since the Civil War, in spite of many attempts. No matter what the ideas of the leaders or the interest of the groups concerned, the winning of elections remained a business, demanding organization, funds and trained workers, to say nothing of newspapers, social prestige and command of all the subtle methods of attracting public favor. An old party might split, but if so the progeny retained the essential character of the parent; the nature of the machine remained the same. And where was a brand new party to get its money, its

trained political personnel, its workers? Unless a new non-political organization with money in its treasury appeared to support it, it must draw campaign contributions from the same old sources. Enthusiastic non-professional workers might be found for a single campaign or region, but it is difficult to sustain a going political machine on enthusiasm. Young idealists like to draw up programs and platforms, but when it comes to going from door to door in the election district, climbing stairs, intruding upon the voters, and winning their confidence and loyalty over a series of years, the task looks like self-sacrificing drudgery of a sort not to be undertaken except for some cause worthy of supreme devotion.

New parties have therefore remained minor sources of agitation rather than becoming instruments for control of the state. They have had an effect in frightening the major politicians into concessions, in educating sections of public opinion and in developing issues or projects later taken over by the machines. But they have not dressed politics up in garments any less drab and cheap. Most of those who want to be genuine and vital turn from politics as something accursed with that supreme plague of the modern—boredom. It is difficult even to describe its futility without the yawn evoked by an old and dull story.

Defenders of democracy usually contrast it with the defects of dictatorship—dictatorship whether by those who are supposedly experts or by military demagogues. Much may be said concerning the inefficiency of the

"expert" when he comes to govern, and it is certainly true that no dictator can hold power indefinitely unless the results of his rule are satisfactory to enough people. Under democracy people exercise the same kind of crude choice as under any other régime; though they know little in detail of public problems, they are more capable than the expert of judging their satisfaction or dissatisfaction with the end-result of what is done. They will, in the long run, employ the ballot to throw out rulers whom they dislike sufficiently. This may be less wasteful than the use of clubs or guns for the same purpose. The professional politician is, after all, an expert in holding office, and he must keep a sufficiently large number of people fairly well satisfied or he will lose his perquisites.

Such a defense of democracy may be sufficient to prevent us from wanting to exchange a Coolidge for a Mussolini. But after all it gives the show away as far as those who want to use government to change society are concerned; for it does not present government as a sensitive instrument of control, one which will pioneer the way into new and better forms of civilization. Rather, it pictures political institutions as drifting along somewhere behind the changes in social and economic affairs, and capable of altering their main direction only in some crisis of popular disillusionment.

A curious involution of the decay of democracy is the way in which distrust of politics has been used by those who find it most important to control the government.



These groups are, of course, the business and financial forces who sustain the political machines with their contributions, and who get a good deal of the political action they want in the way of protective tariffs and police protection of various sorts. Government is essential to them as a defense of property rights and as a means of enhancing property values. They would suffer most of all by the anarchy which would accompany its absence. Yet, in order to prevent government from being used in pursuit of the interest of other classes, they usually talk very much like anarchists. That government is best, they are fond of saying, which governs least. They build up traditions concerning the greatness and strength of presidents who themselves do nothing and who attempt to prevent Congress from doing anything.

The Federal courts are sanctified, because these courts, by their ability to declare legislation unconstitutional, hold a veto power over acts which may be inimical to property. Business, which has controlled government to a great degree in the United States, has done so, not mainly in order that it might act through government, but in order that it might prevent government from acting on behalf of others. While paying out large sums of money to support campaigns and elect candidates, business is always ready to point out the futility of politics and the cheapness of the politician. Thus the very groups who do the most to control our political machinery are those who say the most to deprecate its importance. Government is treated by them as a rack-

eteer who must be bought off and denounced at the same time, lest he grow more dictatorial than he is.

This attitude is, as a rule, not as consciously cynical as it sounds when briefly summarized. Business groups are sincerely afraid of government because it may at any time turn into a nuisance, as far as the immediate purposes of business are concerned. It can tax, it can forbid, it can harry, it can even compete. The phrase invented during the Coolidge administration and repeated so often by President Hoover, that "government should refrain from competition with its citizens" is a sincere expression of fear. Yet, if one thought of the citizen not as profit-seeking producer but as consumer, the phrase would have to be absurdly restated in some such words as "government should refrain from producing anything for the benefit of its citizens."

The prevailing attitude toward democratic government—not the idea of government, but the fact—is very much the same as the attitude of a conquered population toward an alien ruler. Government has power, but this power is something exercised by a special group rather than an automatic expression of the general will, employed for the common good. When the action of government is to be influenced, we do not, as a sovereign people, utilize ordinary political channels, established by constitutions and laws, in order to direct its course; we organize lobbies. Each lobby goes to the legislators and administrators, presenting its petitions, its offers of reward and threats of punishment, much as delega-

tions of petitioners might go to an oriental satrap. The lobby system has become so much a recognized part of the political scene that some scientists of government have sought to assimilate it to political theory, and in large part to defend it. Lobbies are not all bad; indeed, it is a dubious task to separate the "good" one from the "bad" ones. The tariff or utility lobbies are bad if one opposes the principle of protection or disbelieves in the beneficence of private enterprise in the electricity industry, but not if one adopts the contrary positions. How many citizens denounce the prohibition lobbies, and how many believe them agencies of righteousness? What about the lobbies for farm relief, and the lobbies supported by many liberals and progressives themselves, which aid labor and social legislation or combat private greed? The lobby, it is said, has the virtue that it organizes specific interests to affect governmental policy, and after all, if governmental policy is to be realistic, it must achieve a balance of interests. Being informal and self-constituted, lobbies arise and disappear with the changing of the social scene and the shifting of needs. They form a flexible and readily available means of bringing specific pressures to bear on those parts of government which must deal with the problems in question. Without them, government would be far more clumsy and unwieldy than it is. Indeed, it would act less intelligently, since the lobbies gather an immense amount of information on their several specialties which public officials would have no means of obtaining otherwise.

But if we have so extensive an organization of in-

terests through the lobbies, and if they contribute so much to governmental flexibility and the education of officials, why is it that government does not function better than it does; why do we still regard it as unmanageable? The answer is that the lobbies are particularistic; no one lobby exists for the purpose of general management; each exists to achieve a special object. The interest of the whole does not automatically emerge from the jangle of the interests of the parts. Those concerned with prohibition organize their political power about this issue alone; no matter what else a candidate does or does not do, he is rewarded or punished in accordance with his promises, or his performances, on wet and dry affairs. The same official who is thus judged by one group, is subject to similar pressure from another lobby whose sole interest is in obtaining a high tariff on citrus fruits, regardless of the nation's state of inebriety, and regardless even of the effect of other tariffs or of a protective policy in general. The lobby has learned by experience that in order to be effective it must concentrate its fire. If a lobby is powerful enough, it can totally disregard the influence which may be exerted by lobbies acting on other questions; if it is less powerful, it must make deals with other lobbies, which are alliances not of reason but of power. Whichever the case, the effect on the official is totally chaotic, so far as considerations of public policy are concerned.

Member of Congress Jones, subject to specific pressures from all sorts of groups and interests, but not from the public interest at large, may have arrived at a po-

sition in favor of, (a) The Volstead Act, (b) The Farm Board and its policy of helping the grape-growers, who provide home-fermented wines, (c) the tariff on steel products which injures farmers using agricultural implements, (d) the tariff on manganese which raises costs for the steel manufacturers, (e) low taxes on rich men's income and corporate profits, (f) ship subsidies, large armaments and pork-barrel appropriations which must be paid for by high taxes. Member of Congress Smith, subject to different pressures in his district, may, although he belongs to the same national party as Jones, take the opposite position on each one of these questions (being just as inconsistent in the contrary sense). Member of Congress Brown will vote with Smith on half the issues and with Jones on half, though he belongs to the party which technically is in opposition to both. If a single Member of Congress acts in a consistent way, or if the President does so, it is usually an accident. These various members proceed to make compromises with one another, in order that the measures most important to each may be advanced. The President, with his own set of interests, dickers with Congressional groups, wielding the club of patronage in appointments. No one of these gentlemen has any general, coördinated program which does not arise from the pressure of special interests and groups. This is the net result of the influence exerted by the lobbies. The system does not present an encouraging opportunity for the control of society in behalf of a comprehensive program of socially desirable objectives.

The forces behind governmental action, checking and balancing one another, produce an unresolved confusion which drifts meaninglessly in the direction of the chance resultant of these forces. Meanwhile the several branches of government check and balance themselves. The framers of our Constitution, fearful of concentration of power, created theoretically independent departments in the legislative, the executive and the judiciary. This is an admirable device for thwarting one power by another, but it produces an unwieldy piece of machinery for the purpose of positive governmental action. The President fights with Congress in the effort to obtain or defeat legislation. Congress fights with the President to see that the laws are administered as it believes they should be. The Federal courts give specific meaning to laws, or take it away, in practical disregard of the basic intentions of Congress or of the administrative interpretations of the executive department.

Further impotence is assured by the division of powers between the Federal government and the states. It usually requires years of litigation to establish, in specific contentious instances, what the national government may do without encroaching on the powers of the states, and what the states may do without encroaching on the powers of the national government. The Supreme Court's decisions on these questions form a realm which is a life-study for scholars, many of whom regard the decisions as mutually inconsistent. To the lay mind this realm is an unknown country. What influences the learned justices to make the decisions they do is a matter of dispute.

Is it an interpretation of the "plain meaning" of the language of the Constitution? Is it a prejudice for or against certain types of governmental action? Is it a political philosophy for or against centralization of power? At any rate it is not explicitly related to a co-ordinated program of governmental action in pursuit of a consistent group of social ends.

When powers are reserved to the states, their action in pursuit of nationally desired objectives—such, for instance, as workmen's compensation laws, maximum hours of work laws or old-age pensions—has to be urged upon forty-eight separate sovereignties. Laws which affect industry—and most important laws do affect industry—have to reckon with the fact that virtually all industries transcend state lines. What will be the competitive effect of imposing additional costs on business in New York but not simultaneously in Georgia? It is often the case that a given law does not impose additional cost on industry, or imposes such a small one that it will make no practical competitive difference. Nevertheless this argument has to be established before the law can be effectually supported, and such an argument is difficult to establish in the face of the opposition which such laws inevitably arouse. Thus, giving the several states a right to act has the effect of preventing, or at least delaying action. The principle of "states rights" is often, when wielded by business men who support it because they are opposed to legislation urged by labor or progressive groups, really the principle of divide and

conquer. When a state which for some reason is unusually hostile to the business clan passes laws which business particularly dislikes, business men will be found arguing, not in behalf of states' rights, but in favor of exclusive federal jurisdiction. There is no philosophy of government behind these inconsistent positions except the philosophy that government ought not to govern.

The power of the Supreme Court to check governmental action, moreover, goes further than limiting the rights of the states and the federal government in relation to each other. It extends to preventing either of these governments from acting at all. In the interest of the general abstract "rights" safeguarded in the fifth and fourteenth amendments to the Constitution—which specify that neither the federal government nor the states shall deprive anyone of property without due process of law—the Court has closed many roads to social control. What constitutes depriving a person of property? What constitutes doing so without due process of law? The Court has defined these conceptions to include such a thing as setting rates for a public utility which it thinks will not yield a "fair" return on the property of that utility, if that property be valued according to abstruse theories of accounting which assign it a higher worth than the money actually invested in it, or than the value which is assigned to it by a regulating commission. The Court has decided that certain regulations of employment conditions in the interest of labor are interferences with "freedom of contract"—which is a property right and hence protected by the Constitution.



The separation between the government and the citizen shows nowhere more plainly than in the petty graft, bribery and organized violence which in many localities characterizes this relationship. The government is something apart from the individual, which passes laws and maintains a police force. It can make things hot for one, justly or unjustly. It harasses the citizen without influence, but does not interfere with the criminal who can pay, except as much as is necessary to make him pay. What is required to get along with it is not strict obedience of all the laws, but friendship with those who have influence, or bribery of the enforcement officials. This goes, not only for the bootlegger but for the automobile driver.

The racketeer has, in this respect, merely taken a leaf from the practices of government. He collects tribute (taxes) by virtue of his control of gunmen and thugs (policemen). His powers of violence can be turned to the task of annoying or even murdering the citizen if he does not come across. But they can also be turned—and are often turned—to giving protection against what one regards as unfair competition or hostile economic activity by someone else. Racketeers thrive on the need of profit-seeking business men to hold all competitors in an association for price maintenance, on the need of employers to avoid strikes, on the need of unions to hold employers in line. They are a volunteer, unofficial police force, in the business of maintaining whatever kind of order is most required by anyone who can pay. Their most extensive field of activity is, of course, in the liquor

traffic, for this, being totally outlawed by official government, has to improvise law and order of its own. But they thrive as competitors—or accomplices—of officials in many other areas as well, and their technique is substantially the same as that of a government controlled by professional machine politicians and favored groups.

The usual attack on the corrupt police force or the racketeer is one of moral exhortation. We must have pure officials, law-abiding citizens; racketeers must be jailed. This is all very well; but it ignores the basic fact that Americans are rapidly becoming conditioned by experience, especially in the centers of population, to regard government not as a function of themselves in their organized capacity, but as an extraneous power which is, to be sure, necessary, but which must be bribed, propitiated or cajoled either to leave one alone or to coerce someone else. It no more occurs to the individual citizen that he has any ability to choose the official who is to govern, or to influence the action of that official through the legal processes of democracy, than it occurs to him that he has ability to choose or command the racketeer and the gunman. Everyone is out for his own gain; in a profiteering world the man with power, whether that power be based on legal or on private violence, must be granted his "split." Government officials, racketeers and business men are all competitors for a share of the spoils which accrue, in a haphazard society, to the enterprising and the domineering.—This is the normal point of view of a large and rapidly growing number of Americans. Though one may deny that

it is characteristic of the whole nation, it is at least an alarming local symptom of a general disease.

Our enthusiast turns, then, from politics in disgust and decides to seek his millennium in economic action. He assumes that, in the words used by many business men and editors, "politics" and "economics" are distinct realms which are by nature separate and must be kept so. By contrast with the futility of politics, business is supposed to be noble and effective. Why not work directly in the sources of modern power, and exert a managing influence on civilization through industry?

If the citizen starts a small or even, nowadays, a moderate-sized business of his own, he is at once adrift in the stream of competition. Merely to survive as a business man, he must contrive shrewdly to make a profit—this absorbs his whole energy. With one hand braced against costs and the other against selling prices, he exercises the labors of Hercules to keep room for himself in the middle. There is little opportunity for control. The prices both of what he buys and of what he sells are subject to two kinds of outside influence. One is the action of the larger powers of business, who are always trying to get more for what they provide him or to take his trade away by selling for less. The other is the unpredictable resultant of vast economic forces which nobody fully understands. It may in one season bring him a windfall of profit by creating a remarkably wide spread between costs and prices, and may in another season squeeze him out entirely. These unpre-

dictable and ungovernable forces he regards much as the native of Central Africa regards the unexplained mysteries of nature. They are the action of gods, fetishes, demons. Mystic rites and medicine men may propitiate them. Coolidge was a good fetish, LaFollette was a bad one. Protective tariffs and Republican administrations are the reliable form of propitiation. "Business economists", with their array of statistics, charts, "technical reactions," and "double bottoms" are the medicine men.

Nor is the small business man's activity one merely of trying to sell a standard, staple product. If he is not agile, he will wake up one morning and find there is no market any more for what he makes or deals in. Public taste is fickle; it demands changes in style and constant "improvements." He must try to guess what it is going to want, and alter his offerings accordingly. If his product is an engineering device, bought by other producing companies, what he makes may at any time be rendered obsolete by a new invention. Or the concerns to which he sells may lose the market for what they sell and so cease to want his product. Progress of this kind gives him a fair chance of success in the race, since it depends on sciences and arts, which anyone may practice and which furnish criteria for judging what is an improvement and what is not. He may be the one to develop the better device. But "improvements" and changes desired by the ultimate consumer may be utterly irrational and selected according to no ascertainable criteria whatever. Are skirts to be short or long, and made of silk, cotton, wool or rayon? Which designs of women's shoes

will be the rage? Will colonial furniture go out and modernistic come in? And if so, which kind of modernistic? What new disease is going to be invented and what sort of remedies is the public going to believe appropriate for it? Will people turn next year to Tom Thumb tennis or to marathon bridge? Will women want to keep kissable by smoking cigarettes or to win a husband by banishing "athlete's foot"?

About nine out of ten persons who start small businesses succumb to these hazards and fail. There are always a large number of such enterprises in existence, but the supply is kept abundant, not by a low death rate, but by a high birth rate. The species is like a kind of insect ephemera, the individuals of which live but a few hours. The opportunity for success as an independent proprietor is limited to a few. Those who fail do not exemplify the power of business. Those who succeed manage to keep going, not by producing an effect upon society, but by chance or by a shrewd process of adaptation. Whatever values they may find in success, these values do not include the satisfaction of exercising much control over the social environment.

More and more of the work of the world is being done by the large company. To become a successful business executive therefore may look like a royal road to social effectiveness. But here again success is determined by an unmanaged complex of forces. To make a profit is the condition of remaining employed. To make as large a profit as possible is the condition of growth in income and power, for it is the condition of the expansion

of the concern. But this necessity, controlling the management of individual companies which are not related to a balanced plan for society at large, creates confusion and waste which turn up obstacles to the very process of producing and selling goods and making profits.

Let us suppose that one has become a leader in the automobile industry. Even the larger concerns in this industry have been subject to the same kind of competitive hazards which harass the small enterprise. But let us suppose further that all these hazards had been jumped, and the concern with which one is connected had become successful and prosperous. Still one was faced by the following difficulties, among others:

The chance that a major change in engineering, seized upon by a competitor, would make one's product obsolete.

The chance that a lucky change in style by a competitor would swing the market to him, at least for a year or two.

The virtual certainty that at some time or other, a time not capable of accurate prediction, the market at home for automobiles would cease expanding except by the growth of population, since everyone who could afford a car and could be made to want one, would have one. At that time, the industry, geared up to fill a rapidly expanding demand, would be over-equipped to supply the slowly growing demand for replacements. This crisis, although foreseen, could not be prepared for by any individual concern, since that concern would always be pushing for maximum production in the hope of taking business from its competitors.

The uncertainty of growth in the foreign market—an uncertainty created by all the same factors which operate in this country, plus obstacles raised by tariffs or political disturbances.

The probable but unpredictable impact of general in-

dustrial depression, which drastically restricts popular purchasing power for pleasure vehicles and industrial purchasing power for trucks and busses.

The dilemma created by the fact that although the need for a growing market for motor cars makes advisable a general policy of high and rising wages, the automobile manufacturer has no power over wages in other industries, and is even led to cut wages in his own factory by the never-ceasing pressure for lower costs.

The inroads into popular purchasing power made by a large amount of unemployment, occurring in times of "prosperity" as well as in times of depression.

Mere size is no safeguard against the misfortunes bred by a haphazard industrial system. The single big concern is almost as helpless before the task of managing society as is the little one. Even those few industries which approach monopoly do not escape the difficulties arising outside the industry itself. Competition is nowadays increasingly inter-industrial. One material may be substituted for another. The consuming public may prefer to spend more of its money for new kinds of goods and less for old. It would be difficult to pick an industry which has not experienced, or is not likely sometime to experience, one or more of the demons of overproduction, over-capacity, loss of foreign markets, reaction as a result of general depression, low wages of the buying public, unemployment, or changing prices. It may not be surprising that supposedly backward and highly competitive industries like agriculture, bituminous coal mining or cotton textiles have trouble. But you can list the supposedly strong or the progressive industries, and

hardly find one which is not subject to untoward chance. Not only automobiles, but copper, steel, railroads, oil, public utilities, chain stores, construction, radio, meat packing, chemicals,—all share at one time or another, and in one way or another, in the common uncertainty. The picture of the strong and resourceful industrialist governing society, whether in his own interest or any other interest, is derived from fancy, not from fact.

Even the banker, who is supposed to be the very pillar of caution and safety, is subject to wholly unanticipated risks. The waves of bank failures which have swept the country in every severe depression, robbing millions of their deposits and savings, and restricting credit for whole communities for months at a time, are not due in the main to speculation, bad judgment or shady practices on the part of individual officials, in spite of the dramatic exceptions which have captured the public fancy. What is more traditionally safe and sound than real-estate mortgages? What banking or insurance executive could have been expected to foresee years ago that agriculture, the most basic of our industries, would become so impoverished that first mortgages on farms would be, as a rule, embarrassing to anyone who held them? Yet agricultural deflation has in the past few years wiped out hundreds of country banks entirely, and has forced many larger banks and insurance companies to take over uncounted square miles of land which they can neither sell nor operate profitably. Tremendous capital losses have occurred in this way—the facts are carefully guarded from the public because of a fear of



their effect upon confidence. Likewise many a bank has been more severely affected than its depositors ever have understood by the deflation of its mortgages on city real estate, its mortgage bonds; and even its high-class industrial and railroad bonds. Information of this kind is not published; it is discussed only in whispers by those near enough the inside to know something of what is going on. It is one of the unexplored areas in our economic system. We do not know, at this writing, whether the losses are such that they can readily be written off, once an upturn in business comes, or whether they constitute a major menace hanging like a black thundercloud over the economic future of the country. But we do know that the bankers, as a group, are no more happily situated in respect to economic accidents than are the managers of any other industry.

What popular admiration has not been lavished on the industrialist has in large measure been bestowed upon his right-hand man, the technologist or the engineer. If these specialists cannot be said to exercise control and so to alter society and improve the conditions of life, who can? Their activities rest upon the discoveries of science concerning the nature of the universe and its constituent substances and forces. They combine these substances and forces in new and ingenious ways which apparently alter the face of the world. There is no question that their accomplishments are, in themselves, stirring. There is no question that these discoveries create the possibility of greatly en-

hanted human welfare. But nobody knows better than the more intelligent of these experts that what they do, thrown out into a chaotic society, often leads to untoward and unwanted consequences.

The agricultural experts discover ways to increase the yield of land and crops, and thereby cause untold poverty and hardship for farmers, who are led to produce so much that their crops cannot be sold for a fair price. (It may be answered that the crops might be sold if all the hungry had means to buy; nevertheless the work of the agricultural experts does not bring this happy outcome any nearer.)

Architects and engineers collaborate to erect splendid monumental buildings whose spires trail the clouds—with the result that the real-estate market is depressed, city traffic is congested into a maelstrom of hurried and nervous and jostled individuals, and the already high prices of metropolitan land, which prevent decent housing for those with lower incomes, are still further boosted.

An inventor develops a highly ingenious new machine which turns out more product with less labor. What could be, in the abstract, more obviously desirable than more wealth with less work? Yet the result often is that most of the wealth is concentrated in the hands of a few at one end of the economic scale, while the reduction of work is concentrated among the unemployed at the other.

The labor expert applies study of the workers' motions and makes records of the time in which they are done; he invents schemes of payment by results; all to the end of more efficient production. But the worker

checkmates this effort by deliberately slowing his activity, prompted by the certain knowledge, which is derived from common experience, that if he produces too much and thus earns more than is considered a "fair wage," the rates of pay will be reduced and he will have to work harder for the same amount as before.

The expert in management improves the administration of the factory; he eliminates waste arising from lost time, clumsy handling of materials, lack of coördination among departments. He devises intricate accounting and cost-finding methods. He plans the enterprise intelligently from the receiving platform to the shipping department. Then he finds his carefully systematized unit limping along or shut down entirely, and his delicate machinery of control knocked into a cocked hat, by the impact of unplanned forces outside the factory, which decimate the market for its product.

A scientifically trained inventor of a basic improvement cannot find anyone to use it because it would compete with another product in which powerful interests have investments, while the quack inventor of a worthless concoction advertised as a patent medicine, and selling for many times the cost of production, makes a fortune before the public finds him out—if it ever does find him out.

The candid expert knows that he does not manage society in the general interest. What he does is to devote his expertness to the services of some one trying to make a profit. That is quite a different thing. Whether his effort is baffled or is successful, there is no assurance

whatever that the ultimate outcome will be the sort of thing he would have set out to achieve if he had had any power over the end-result.

The spectacle of a great depression ought to be enough to convince anyone but the simple-minded that the exalted company of business men, bankers and engineers do not manage our society. To say that they do, to repeat after President Hoover and Mr. Coolidge that they are already engaged on a plan to enlarge production and abolish poverty, is also to say that they are responsible for unemployment, bankruptcies, and all the crazy anomalies and sufferings of hard times. Do these gentlemen wish to accept so heavy a responsibility? Is it fair to charge them with the blame for what happens?

Of course our titular leaders vehemently reject this responsibility. But, in order to make a show of being entitled to credit for the good things in our civilization, while avoiding blame for its evil characteristics, they have a series of alibis to account for the ebb of production and employment. They blame some action of political government, or something done or not done in foreign countries, or some attitude of mind. These alibis will not bear scrutiny.

The classical economists, who elaborated the theory of laissez-faire, assumed that the normal condition of business was one of wholesome balance. They paid little attention to industrial depressions, since these were thought of as abnormal or unexpected disturbances arising from some deplorable interference with the nor-

mal conditions. But contemporary economists, who have made a more realistic analysis of our economic institutions, have discovered that industrial depressions are characteristic of the business order. They are not abnormal or unexpected, but recur with distressing emphasis. They arose with the form of society which developed the technique of money and banking, and in which private enterprise carries on the work of production and exchange. They become progressively more severe with the growth of this order, at least up to a certain point. There is a theory that as the business order matures and settles down, depressions tend to become less violent, but this theory may have to be modified in view of the world's experience since 1929.

A great many leading politicians, business men and bankers talk as if they knew nothing about the matter except the point of view of the classicists. They never seem to expect depressions before they arrive. When a depression comes, they talk volubly about a return to normal. They assume that the depression was caused by some interference with the ordinary processes of business, and that continual prosperity can be assured in the future by preventing such interferences. This point of view is unscientific and futile.

Of a piece with the modern scientific conception of depressions is the view that depression does not stand by itself in the course of events, but is one phase of a continuous sequence, which includes revival, boom and recession. Each of these phases contains the seeds of its successor. Boom leads to recession, recession to depres-

sion, depression to revival and revival to boom. This round of phases is called the business cycle. If anything is normal to the business order, it is not a condition of balance or equilibrium, but a condition of disequilibrium, in which we are always about to fall off the tight-rope in one direction or another. If we want to abolish depressions, we shall at the same time have to abolish booms, recessions and revivals. The inevitable conclusion from this view is that emergency action, undertaken during a depression and forgotten later, however necessary it may be to relieve misery, is merely locking the garage after the car is stolen, as far as any permanent effect is concerned. Some continuous policy or group of policies is called for.

We must not take the idea of the business cycle too literally. It does not mean that every period of depression is just like every other such period and will last exactly the same length of time. It does not mean that we can predict when the next depression will come. The oscillation of business conditions is irregular, not periodic and predictable like the phases of the moon. Nor does this theory mean that nothing else can affect business except the cyclical forces. We can have depressions like that of 1924, which are identified by statistical charts but which occur in the course of a long period generally thought of as prosperous. Or we can have revivals and peaks in the statistical charts which occur during long periods generally characterized by hard times, like those of the seventies or nineties of the past century. It is by no means certain that the forces be-

hind these longer periods of prosperity or depression are cyclical, that they oscillate in any particular order at all.

It is natural to suppose that if we are to eliminate the business cycle and stabilize industry, we must first discover the cause of the oscillation. When we turn to the economists for enlightenment on this subject, we are confronted with a bewildering array of theories. Thinker after thinker, some of them careful scholars, many more of them mere quacks, have advanced opinions about the matter. There are hundreds of these theories, differing from each other in greater or less degree. They may be classified, as Wesley C. Mitchell has classified them, in three main groups. Some students have found the cause in a region beyond human control. Among these are Jevôns, who supposed that variations in business arise from variations in crop yields, which in turn arise from rhythms in solar radiation, Henry L. Moore, who links the rhythms of solar radiation to changes in the phases of the planet Venus, and Ellsworth Huntington, who begins with the sun and ends with changes in human health and attitudes. Others attribute business changes to a rhythm in the emotional states of business men, as does Pigou. The third and largest group finds the causes of the cycle in the operation of economic institutions. In this group are those who talk about overproduction and underconsumption, or the effect of gold, credit and banking policy, or the consequence of savings, like William T. Foster, or inequality in the distribution of income, like Karl Marx or John A. Hobson.

Though, like every other student of the subject, I have my own opinion as to which of these theories contain the largest elements of truth, it would be absurd to pretend that I, or anyone else, had picked a way through all the doctrine and put it together in a final form which was adequately supported by analysis of reliable statistics. Nobody really knows the truth of the matter, in the sense in which scientists know the laws of physics which enable them to build bridges or predict solar eclipses. We are nearer the truth than we were ten years ago, but the various theories remain hypotheses, many of which cannot be tested by objective evidence, some of which are mutually contradictory, some of which may be good accounts of one aspect of a cycle or of one cycle, but not of all, and some of which are merely different ways of describing the same phenomena.

Must we, therefore, fall back on a counsel of despair, and say that nothing can be done until the economists have spent another decade or another century in research and discussion? That would be true if our first supposition were correct, that is, that the cycle has a cause, which must be discovered before a remedy can be prescribed, just as we had to discover the germ which causes diphtheria before we could develop an antitoxin to prevent it. Our task is not to find a single cause and eliminate it, but to pursue a purpose which is both more simple in conception and more ambitious to execute—that is, to make economic affairs behave in a rational and desirable way.

What can be meant by the proposition that the busi-



ness cycle has no cause? Let us illustrate by analogy. We say that diphtheria has a cause, since it is a disease of the human body, produced by a specific organism. Normally, the human body exists without diphtheria. The changes which diphtheria makes in it are due to a single variation from normal—the presence of an identifiable germ. Remove the variation, that is, the germ, and you cure the disease. That is what a cause is—a variation occurring independently of other circumstances, the presence of which will bring a definite type of change and the absence of which will prevent the change. But suppose someone were to ask you to assign the cause for the beating of the heart. Is it the arrangement and the energy of its muscles? Is it the control exercised by the nervous system? Is it the way in which the blood circulates? No one of these answers would do. Scientifically speaking, the beating of the heart is not something which has a cause, but the way in which the heart behaves in a living body. The heart is part of a complex, the interrelations of which are necessary for its functioning. No more definite cause can be assigned for its action than the presence of the organism of which it is a part, or of life in this organism.

Now, the business cycle is one of the ways in which the business order naturally behaves, it is not a disease or abnormality caused by the presence of a single hostile germ. You can describe this behavior in hundreds of different aspects; you can elaborate in endless detail the relationship between fluctuations in employment and changes in production, prices, incomes, credit, savings, investment,

etc., etc. But you cannot say that any single one of these relationships is the cause of unemployment. The trouble with even the most persuasive theories hitherto set forth concerning the cause of business cycles is that each of them concentrates on one of these aspects or relationships to the exclusion of most of the others. The consequence is that each of the remedies proposed is inadequate to deal with the total situation. Some of the remedies are pure quack medicines, others may do good—though we have little means as yet of knowing how much good.

In one important respect, however, the analogy between the business order and the human body is a most imperfect one. This very imperfection gives a clue to the solution we are seeking. The human body is a high type of organism, with a natural equilibrium in its processes. But the business order is scarcely an organism at all; at best it is a low type of organism, a complex characterized in large degree by disorder and lack of balance. Its action is anarchistically determined by the choices of hundreds of thousands of theoretically independent cells. Each person or business concern decides how much to spend and how much to save. Each decides what to buy and what to do with the savings. Production, investment, credit, prices, wage payments and all the rest are the result of countless choices in countless places. Each choice is, to be sure, largely determined by the conditions produced by all the other choices, but few of them are made on the basis of adequate information and foresight, and almost none of them depends on

a plan or policy related to the common interest. If we are to think of the business order as a body, we must think of it as a body without a brain. We have magnificent muscles in our great industrial plants, efficient arteries in our railroads and highways, sensitive nerves in our lines of communication. But we have only a trace of gray matter in our economic cranium. If our economic leg muscles decide to run after a butterfly and our arm muscles are intent on picking wild flowers at the very time when our stomach is crying for bread and butter, we ought not to be surprised by the resulting hunger. We should not be so surprised if we had a brain.

Economists can point out dozens of examples of such crazy behavior in the business order. We speculate by buying securities for the rise, borrowing money to do so at a higher rate of interest than the securities yield or can reasonably be expected ever to yield. We float bond and stock issues to furnish capital for industries which are already overexpanded in relation to any predictable demand for their products; we lend money to foreign governments which are clearly on the high road to bankruptcy. We increase protective tariffs against imports, while striving to enlarge exports and at the same time collect reparations and war debts. We enhance the ability to produce goods per man-hour of labor by an average of at least 3 or 4 percent a year, and expect these goods to be consumed by wage earners, the purchasing power of whose wages advances on an average of not more than 1 or 2 percent a year, and by farmers whose purchasing power actually declines. We invest in new

capital goods without saving to pay for the investment, or save without investing in new means of production. Great corporations, whose surplus profits are so large that they cannot profitably employ them in increasing their production of goods, lend these funds to enable persons to speculate in the stocks of these same corporations, on the assumption that their markets for goods are unlimited. Why are all these things, and hundreds of others like them, done? Not because the obviously crazy results are sought by the individuals who do them. Only because each individual, acting in his own immediate interest, either does not foresee or has no reason to care greatly about what the total result will be.

So much for those who are supposed to be in positions of command in industry. By far the greater number, however, are in subordinate stations where they are not supposed to exercise much in the way of managerial powers—the millions of the industrial army from top-sergeant down to buck private. Minor executives, book-keepers, clerks, sales-people, time-keepers, foremen, wage-earners—most of these work by prescribed routine and must exercise in their lives outside the office, factory, mill or mine any faculties of choice or control which they may possess.

It is commonly supposed that the rank and file of industry take satisfaction in the functions they perform in the working world. To do so is a tendency of human beings so widespread that, if given an opportunity, it might indeed give the worker a strong hold on life.

Many writers have celebrated the joys of the craftsman, of the farmer—anyone who has the power to arrange, to plan, to see the fruition of the seed he plants, the completion of the task he begins. Complaints against the division of labor and the monotony of repetitive jobs are often lodged on this account—that they rob the worker of any creative response, and reduce him to a dull machine. It is doubtful how sound these complaints are. A varied array of testimony has arisen to support the conclusion that even in machine industry many rewards of this nature are possible; pride in work is so fundamental that it will surmount thorny obstacles. It is not so much that the machine, the factory and the office in themselves thwart creative activity, as it is that the set-up of the world of private enterprise robs the rank and file of any feeling that what they do is a sincere contribution to the general welfare, or that they are important.

If production is increased, rates of pay are cut. New machines throw operatives out of jobs. Slack seasons and hard times are soon reflected in unemployment. Promotions too often are the consequence of favoritism. Older men are cast off with little consideration, or if not cast off, they cannot find other jobs when hard luck forces their disemployment. The man who can sell is rewarded far more richly than the man who can make. The crude facts of inequality of income are constantly before the employee. He is so obviously working for another's profit rather than for the benefit of himself or of society that only the dullest can escape recognition

of the fact. The consequent insecurity, the subordination forced by economic circumstances, the feeling of being an outsider, work havoc with any confidence, any sense of being at home, any full partnership in the work of the world or the general life. The resulting attitude, of which employers continually complain—the effort of the employee to get as much as possible for as little as possible, the utter lack of interest in the job except for the reward it brings—is the inevitable outcome of the same attitude on the part of employers. The creative faculty is dried up by the shallow and sterile soil in which it is planted.

An experiment, the results of which are not at this time published and which, consequently, cannot be identified by the name of the experimenter or the place in which it was carried on, throws a curious light on the basic impulse which leads workers to effectiveness. A number of girl operatives were placed in a separate room and told that they were to be the subject of a series of tests. They need not worry about how much they turned out or how rapidly they worked. They were simply to go at a normal, easy pace; low production would not be held against them. The management wanted to find out the effect of different types of working conditions. Their jobs were assured. Gradual improvements were then made in such matters as lighting and seating—the changes in working conditions which are usually supposed to increase production. As these improvements continued, the production of the girls showed a rising tendency. The obvious conclusion was that bet-

ter lighting and seating affected output favorably. But the psychologist conducting the experiment was a good enough scientist not to be satisfied with the obvious. He wanted a negative check. So he began to take away the improvements, until finally working conditions were worse than they ever had been. Nevertheless, throughout this reverse process, output kept on rising. Why? We cannot know certainly, but it looks as if the girls benefitted from a feeling of being important, a feeling of ease and security, a feeling that they were an essential part of an enterprise.

Two main outlets exist, in the absence of much satisfaction in the specific job, for the urge of the individual to count. One is to seek promotion for the sake of the influence it may give one in the world of work. But opportunity for promotion to any position that really seems high is closed to all but a few, and general recognition of this fact keeps it from being a common gateway for ambition. The other is to make headway in life outside the job. And this means more and more, in our commercial civilization, buying and displaying the goods made by others.

It is in consumption that the great public is thought to be supreme. Here powers of choice are supposed to be exercised, here satisfactions are supposed to be achieved. The whole industrial machine is, theoretically, adjusted by competition to serve not only the needs but the lightest whims of the consumer. Defenders of the existing régime habitually talk of the increasing numbers of automobiles, radios, bath-tubs and electric re-

frigerators which it puts into use. The assumption is that we constitute a great economic democracy of consumers who, whenever we go to the shop or post a letter to the mail-order house, cast a vote which determines what shall be made and how much we will pay for it. The total pressure of these millions of daily votes is supposed to make the producing and distributing system serve our requirements to a greater extent every year.

Consumers themselves, however, show a shocking lack of appreciation for the benefits which are supposed thus to be conferred upon them. Clearly this picture of our consumer democracy is somewhat flattering. What are, briefly, some of its main defects?

The first defect is that almost everyone wants many more things than he has the money to buy. Seven to ten million unemployed, for instance, have recently been deprived of their economic franchise altogether, except in so far as it has been granted them by public and private charity. They cannot cast their votes for such elementary necessities as food and clothing. Even the average employed wage-earner in times of prosperity cannot afford, in most large cities, a house with room enough for his family, space enough around it, and ordinary sanitary improvements. He may, to be sure, have a radio or a second-hand automobile, but it does not follow that if he gave up these luxuries he could have a decent place in which to live. Cities simply do not provide such places in sufficient numbers at low enough prices. In the country and in smaller towns you will find more automobiles than bath-tubs. As for electric refrig-



erators, they are still a rare luxury for the masses. We all are mentally loyal to the American ideal of a rising standard of living, but even the more prosperous of us have to clutch that standard by our finger nails as it rises.

This, you may say, is not the fault of our system, but merely the ineradicable tendency of child-like human beings to reach for the moon. We have more average wealth than any other country or any other generation. We cannot expect to have everything we want. We are by nature unsatisfied and always will be. But these assurances do not sound so assuring when they come hand-in-hand with the complaint of ninety-nine out of a hundred industries that they cannot sell all they can produce. There is too much wheat, too much copper, too much sugar, too much coffee, too much oil, too much coal, too much cotton, too much wool—and so on to the end of the list. Every industry is over-equipped with plant and machinery, every one has a surplus of labor. It has become trite to say that our equipment and resources might produce at least twice as much for each of us as they do—if only there were a demand for the product. That means, demand backed up with enough hard cash.

The producers have done their best to make us want intensely everything they can turn out. They employ psychologists, artists, socially prominent writers of testimonials, pretty girl models, well-trained salesmen, persistent canvassers and door-bell ringers. They assail us at every shop window, at every call of the postman, at what would otherwise be every view of mountain, lake

or forest, in all our newspapers and magazines. The movies present endless pictures of luxurious living which tempt us to imitation. The radio dins into our ears the same story. The advertisers play with devilish ingenuity on our sex instinct, our fear, our snobbishness, our love of color and display. Our desires for purchasable things are not a mere reaching for the moon; they are reaching for whole galaxies and constellations thrust constantly before our eyes with Neon tubes.

And we have responded with predictable scientific exactitude to these carefully calculated stimuli. We have wanted, or thought we wanted—which amounts to the same thing as far as the advertiser is concerned—almost every new thing that could be devised for sale. We have done our best to supply the cash which changes a want into a demand. We have spent all that our pay-envelopes have afforded, and then have gone into debt to the tradesman and the instalment finance company, hoping to make more in the future by speculating in the stock market or winning advancement in our jobs or relying on the “high wage policy” of industry. Many of us, failing in the realization of these expectations, have either lost our credit, together with the less perishable goods which we have bought, or have paid, in the worry and struggle incident to the effort of meeting our obligations, ten times as much as our purchases were worth in permanent satisfaction. The noble consumer participating in a “rising standard of living” comes to resemble nothing so much as a donkey with a carrot before his nose wearily trotting on a tread-mill. Our effort is tremendous, but, in

terms of happier and fuller living, the faster we go, the more we remain in the same place.

Nor do we really choose the best and the cheapest of the goods presented for our approval. The variety of goods is so great, the possible places of purchase are so many, and our individual powers of testing are so elementary, that we seldom know whether we are getting the best of a group of competitive articles, or are paying too much for it, or indeed, in many cases, whether the article has any potency at all for the purpose advertised. The ignorance and the gullibility of the consumer are commonplaces among technical and advertising men. The result is that many profit-seeking producers are impelled not so much to offer us articles capable of superior service at a low price, as to devise products which can be sold quickly and in large quantities because they have surface qualities that they think we think we want. They are, in many cases, forced to be commercial demagogues who, like the political demagogues, appeal to the common impulses which come most easily to the surface rather than to the technical knowledge which we individually do not possess. At least, the conditions which determine commercial survival bring the business demagogue to success quite as often as the business statesman.

Consumer democracy does not work any better than political democracy. In both cases the real choices are made and the real powers exercised by the few professionals whose business it is to make profit or retain position by exploiting the public. But the nature of these

choices and powers themselves is determined, for those who exercise them, not by any original or valid impulses they may have, but by unintelligent, unplanned and haphazard mass pressures. This condition affects the artist, the poet, the engineer, the architect and the manufacturer. In this process the sincere producer is often submerged, and the better product often gives way to the worse, in the supposed interest of consumers who themselves have little opportunity to manage or control the commercial realm in the interest of their own deepest satisfactions.

We have called the roster of those who, in different capacities, are sometimes believed to have powers to manage our civilization. Citizen; politician, reformer, small business man, industrial executive, technologist, banker, worker, consumer—each has immediate faculties which turn out to be helpless in relation to the total complex of society. Specific objects can be accomplished, but only by the sacrifice of any attempt to give direction to the whole. Each of us snatches partial and temporary satisfactions, but the aimless drift of civilization entire thwarts each of us, some more seriously, some less. The vanity of the current efforts to manage, observed in one aspect or another by the more sensitive and intelligent, has led many of them to withdraw as far as possible from social effort, to regard society as something outside of and alien to themselves, to seek refuge from it, where more private satisfactions may be obtained. But no one can withdraw far. Everyone must give hostages to the

common life. It is therefore important to see whether there is any way out of the morass for all of us. The picture of impotence presented in this chapter cannot be the final word. We shall examine, later, some important areas which it has overlooked. But first it would be well to find out how we have been led where we are, and in what general direction we may look for the exit.

### CHAPTER III

## THE DILEMMA OF LIBERALISM

WHAT has liberalism to offer as a principle of reference, as a way out of confusion? Liberalism is a customary name for the opinions of many who are critical of modern civilization. Strangely enough, that civilization itself which the liberals criticize, particularly as embodied in the great democracies of the United States, France and England, is theoretically based on a liberal philosophy. This indicates an unsolved puzzle at the very heart of liberalism.

The "liberal" in the United States is despised or feared by those who uphold the existing status, as one who wants to upset the foundations of our society. He is more difficult to deal with than the radical, whose rude extremes are more shocking and easier to suppress. But he is equally subversive, acting as a disguised advance agent for the revolutionary. On the other hand, the "radical" despises the "liberal" as a disguised apologist for the existing order. He is always trying to soften its cruel edges by palliatives and reforms; he is misleading the dissatisfied into blind-alley agitations. At heart he sides with the system which produces the rich and the privileged, and will be found fighting on its side when an open break occurs. Meanwhile the liberal appears to

himself singularly undeserving of the opprobrium which he receives both from the right and from the left. He is not nearly so effective as he would like to be in changing the existing society, or even in bringing about moderate reforms. With good reason, he smiles at anyone who regards him as dangerous. At heart, however, he sympathizes with many of the radical aspirations, and thinks himself different chiefly in being more practical than the radical in his way of achieving commonly desired results.

What escapes the attention of most liberals is the logical inconsistency in their own philosophy. The conservative condemns them for their desire for change, the radical for their adherence to principles which are embodied in capitalist civilization itself. Both observations have a large measure of truth, in spite of the fact that they logically cancel each other. The liberal does want changes, often changes of fundamental implication. Yet the liberal believes, or thinks he believes, in liberty—which is a part of our constitutional system and is the foundation of that very economic and political theory out of which our culture has sprung. In the United States, for instance, the conservative is the true liberal, in so far as he wants to preserve the traditional liberties of individual enterprise, free from governmental or other organizational restraint. A liberal might logically oppose the government because it does not sufficiently safeguard, or actually interferes with, freedom of speech, of opinion, or other civil rights. He might deplore the fact that it imposes a protective tariff, or does not enforce competition or break up monopolistic combinations. But

all this is merely American fundamentalism. He could not, logically, want any drastic change in the world of production and trade, of accumulation and distribution, or of the ownership of industry. He could not be deeply dissatisfied with the way our civilization behaves. He could not desire a new revolution, even a slow and peaceable one, since his revolution took place a hundred and fifty years ago.

It may help us to understand this dilemma if we look back to the historical foundations of liberalism. When it burst forth in Europe at the end of the middle ages, men desired freedom of thought as opposed to the dogmatic imperatives of religion, which assumed to include the whole world of the mind and to prescribe what man must believe not only about God and heavenly salvation, but about the earth and everything therein. The new imperatives of scientific reason had to break this bond; the way had to be cleared for experiment and induction, for the discovery of new truth. Likewise the liberty of the individual to act freely, to develop his personality, to improve his economic status, had to be asserted against the encrusted and limiting institutions of the church, the feudal lords, or the monarchical State. New forms of behavior were following the geographical discoveries, the widening trade, the changing techniques of production and exchange. The need of individuals to use land and receive the fruits thereof led to the demand for freedom from the mortmain of great estates. The desire to develop business, to earn and keep money, impelled the



new class of enterprisers to call for freedom from the restrictions of guilds or legal monopolies. With this activity went the assertion of freedom to accumulate and invest capital. And, in order to secure such liberties, as well as others of more personal behavior, it was necessary to have freedom from hereditary or absolute government, and so to choose and limit one's own rulers.

Freedom, when asserted as a guiding principle before the establishment of modern democracy and capitalism, therefore had a consistent array of specific meanings, determined by the nature of the culture from which men were breaking away. It was freedom from a concrete series of restrictions, freedom for the exercise of certain faculties which those restrictions held in bondage.

Freedom in the abstract means nothing. It must be set in terms of a desire to do something in particular, and the presence of obstacles to that desire, before it assumes form and substance. Nevertheless, the early philosophers of liberalism gave freedom a halo of abstract sanctity. Man's mind, in the presence of great social conflicts, usually dignifies his immediate desires as universal principles: this often seems to be a condition of effectuating those desires. The powers of the church, of feudalism and absolutism were strong, difficult to dislodge, and protected in the realm of thought by their own absolutes, which lent them authority. God had ordained the order which existed. Powerful emotional loyalties, based upon what appeared to be ultimate first principles, supported that order. Those who protested against it were outcasts, irresponsible disturbers, unless they could

build up an equally powerful sanction for their own position. They found this sanction in their concept of Nature. Nature was the ultimate conditioning necessity, the characteristics of which were being discovered by science. A man who acted in consonance with Nature was in tune with the universe and would be effective; one who ignored or opposed it was artificial and futile. The ancient authorities were declared to be unnatural and artificial. Most of all were they arbitrary in relation to the nature of man. Rousseau is the most celebrated of those who exalted the natural state of man—which he supposed to be the primitive state. His primitive world was really an invention, which he imaginatively cast in the form of a paradise embodying the principles of action in which he believed. Before the French Revolution, even the court circles were so influenced by these conceptions that they played at being shepherds and shepherdesses in their costly fêtes. In an effort at being natural, they were more artificial than ever.

Freedom, in the new conception, was thought to be natural to man. The desires of so many men for freedom from specific restraints made easy the acceptance of this generalization. And so arose the doctrine of natural rights, as a buttress of the freedom desired. Opposed to the divine rights of church and monarchy, there were set up the natural rights of man, which these old institutions denied. We find this doctrine, borrowed from its European sources as well as from American writers, in our Declaration of Independence. There the signers declared that men are "endowed by their Creator" with

"inalienable rights," among which are "life, liberty and the pursuit of happiness." What the colonists really wanted was liberty from the British crown and from certain taxes and other acts of Parliament. But they apotheosized their desire in a generic "liberty" which was "an inalienable right." The doctrine of natural rights eventually found its way into the Federal Constitution of the United States in the form of the first ten amendments, called the bill of rights. In particular, we have felt the effect of the fifth, which protects the right of the property-owner against having his property taken away by government, except through "due process of law."

It is difficult to appreciate how thoroughly this concept of freedom for the individual, as a right dictated by nature, has permeated the thought and practice of the modern world, and to understand what a tremendous influence it has had. Allowing the individual to do about as he pleases is still often spoken of as natural, in contrast with the "artificial restrictions" which may be imposed by government, or even by some non-governmental group or organization. The implication is that the process which is called natural is both inevitable and wholesome in the long run, while that which is called artificial is doomed to eventual failure, although it may do a large amount of harm before it disappears. Few minds nourished on modern traditions ever think of inquiring what, precisely, freedom means, whether it really is any more natural than restraint, whether everything that is natural

is really beneficial, and just what the distinction between the natural and the artificial is, anyway.

The early classical economists built upon the assumption of natural liberty. Freedom for the enterpriser against the ancient "artificial" restrictions would, through competition, inevitably persist. Moreover, being the natural state, it would redound to the benefit of all. Each man, intelligently seeking his own self interest, would improve the general lot. The only problem was to teach him what his self-interest demanded. Thus society, according to Adam Smith, would be guided "as if by an unseen hand" to its fulfillment. Qualifications of this doctrine were admitted by the more careful thinkers. But popular opinion has for over a century clung to the simple doctrines, overlooking the qualifications. We found it expressed even in the year 1930 by prominent bankers who attributed the depression to interferences, partly by governments and partly by groups of individuals, which had held prices at "artificially" high levels and thus had built up unmarketable surpluses, or which had otherwise obstructed the "natural" course of trade.

John Stuart Mill developed the theory of liberty further than its earlier exponents, buttressing the doctrine of laissez-faire. We had not, he observed, got rid of the pernicious interference of governments when we made them democratic. Even democratic governments were, in reality, not the abstract voice of the people, but particular groups who could harmfully restrict the individual. We needed to limit the powers of any government, to define the boundaries of its permissible

encroachments on individual behavior. His famous distinction was that in those acts where a man could, by his choices, mainly benefit or hurt only himself, he should be left free, and that only in those relationships where his acts were important to the general welfare should he be regulated. This is a rule which is capable of widely different interpretations according to the leanings of the interpreter. Moreover, changing circumstances may change its applications. It is difficult to say, in the modern world, what private acts are not in some way important to the general welfare. Mill's specific interpretations have usually been more emphasized by liberals than the necessity of reapplying the rule to changed conditions. He had a lively sense of the importance of the individual, of the value of the free and responsible personality.

The eloquent conclusion of Mill's essay "On Liberty" has suggested many a text for Presidents and business men. "A government," he wrote, "cannot have too much of the kind of activity which does not impede, but aids and stimulates, individual exertion and development. The mischief begins when, instead of calling forth the activity and powers of individuals and bodies, it substitutes its own activities for theirs; when, instead of informing, advising, and, upon occasion, denouncing, it makes them work in fetters, or bids them stand aside and does their work for them. The worth of a state, in the long run, is the worth of the individuals composing it; and a state which postpones the interest of their mental expansion and elevation to a little more of administrative

skill, or of that semblance of it which practice gives, in the details of business; a state which dwarfs its men, in order that they may be more docile instruments in its hands even for beneficial purposes—will find that with small men no great thing can really be accomplished; and that the perfection of machinery to which it has sacrificed everything will in the end avail it nothing, for want of the vital power which, in order that the machine might work more smoothly, it was preferred to banish.”

There is an assumption here which no liberal and, indeed, few radicals, will at heart wish to deny. If we are not seeking individual fulfillment, what impulse does guide our activities? This spirit is at the heart of modern education, which opposes instruction by rote, regimentation in classes, and the moulding of the young merely to fit the convenience or the prejudice of their elders. It prompts opposition to war as a means of enforcing one group-will on another, and to militarism, which for the sake of efficiency reduces the soldiers and even, nowadays, the civilian population, to automatons. It lies behind the struggle for freedom of thought and freedom of speech, which values untrammelled expression of the beliefs of dissenters more highly than the implied danger which such expression carries to civil tranquillity, or to a free flow of traffic, or perhaps to the smooth operation and financial status of a university. Freedom to think and act as conscience dictates, rather than as authoritarians bid, is given, on this account, primary emphasis, even though the authoritarians represent the interests

of intrinsically valuable religious, social or political organizations.

And yet the application of the doctrine expressed in this fine passage from Mill is elusive in the extreme. Take it, for instance, as an argument against governmental interference with business. There is nothing illogical about a liberal wanting to make full use of all the powers offered him by the amazing technology of electricity. He—or she—may want electric refrigeration, cooking, heating, pumping. He cannot use many of these devices as much as he would like, because the price of current is too high. He becomes convinced that the utility companies are charging him more than they ought. He therefore turns to more strict governmental regulation, or even to public ownership. We need not assume, for the purpose of this argument, that the consumer is right in believing that the price of current is too high; for, irrespective of that dispute, the utility interests will appeal to the general liberal principle that the government should not restrict individual enterprises, and should not, in Mill's words, "substitute its own activities for theirs." Here is a conflict of liberties. The liberty of the individual citizen to make full use of the advances of science and technology, and to employ the government as an agency for enabling him to do so, is opposed to the liberty of a network of gigantic holding companies to make profit at his expense, without governmental interference or competition. Which liberty is the more precious? Does the restriction which the utility company places upon the freedom of millions of indi-

vidual consumers and citizens do more harm than the restrictions which these individuals seek to place on the freedom of the company? The company is, after all, just about as impersonal and bureaucratic a body as government itself. Certainly it is as alien to most of the individuals who work for it, and imposes more autocratic restrictions upon their behavior in relation to its realm of control than government imposes upon its citizens. The employees of the company have little economic freedom in any case. Perhaps we ought to place a higher value on the freedom of the principal stockholders and executives to develop their personalities (and their profits) than upon the freedom of the consumers to use more electricity. Still, if we name over the prominent utility magnates, it is difficult to attribute to them that "mental expansion and elevation" which Mill wanted to preserve, or to feel that the State would have suffered much for lack of great men and vital power, had these particular men not arisen to prominence.

The modern world is full of such conflicts of liberties. It may make little practical difference to the spirit of man or even to his comfort whether he can use more or less electricity—this instance was cited first because its outlines are unusually clear. But how about the question of labor organization? Here is a matter of prime importance to the worker and to our whole society. It is contended, on one hand, that the wage-earners must combine in order to bargain on more equal terms with employers. More than that, their combined power is



necessary if they are to enjoy real industrial citizenship, if they are to affect the whole nature of their working and earning lives, and the conduct of industry, which otherwise are prescribed autocratically by the employer. Nobody nowadays denies the right of combination in the abstract, but combination is of no use aside from the measures which it employs. Genuine labor organizations bring about the acceptance of collective contracts, agreements and rules, which prescribe rates of wages, hours of work and conditions in the plant. This means that the individual workers are governed by these rules. If they break them, they must be disciplined. The workers must pay dues; and if open conflict breaks out, they must strike at the will of the majority. Some unions even prescribe that no one may be employed unless he is already a member of the union, or that he must join as soon as he obtains a job, or that in the hiring of new employees, union members must be given preference over non-members, so long as they are of equal competence. The aim is to force all, or a substantial majority of workers, to belong to the union, in order to eliminate the competition which non-members might offer to union standards.

But the practices, without which labor organization is futile as a bargaining instrument, require the surrender of individual liberties. And this fact is emphasized by anti-union employers, who talk a great deal about the "open shop" and the "American plan", which preserve for the individual worker the "right to work for what wages and hours he pleases" (or can obtain when he

asks at the employment window what wages are paid and what hours are worked) and the right not to join the union and not to strike at the will of the organization (though it deprives him of the right to join the union or to use it effectively).

Here is a conflict among different liberties of the same person. He cannot have them all at once. On the one hand, he runs the risk, by preserving full technical freedom to act as an individual, of being dominated in fact by the employment conditions which are obtainable under such circumstances. On the other hand, he runs the risk, by exerting his freedom to join an organization and act as its loyal member, of being dominated against his will by self-seeking officials or a misled majority. There is, too, the conflict between the liberties of the workers who wish to have an effective union and the liberties of those who do not wish to join but must be compelled to do so if the union is to be effective. Such conflicts cannot be resolved by an adherence to liberty as an abstraction. They must be resolved, if resolved at all under a liberal philosophy, by decisions as to which liberties and whose liberties have the right of way under the circumstances.

No period in our history was more destructive of practical economic liberty than the depression beginning in 1929. Who did not feel the restrictions placed upon him, whether in losing or failing to find a job, or in suffering reduction of income, or in being unable to manage his business or his part of a business as he would have liked? That society had the physical capacity to offer

a much larger measure of these sorts of liberty had just been demonstrated in the prosperous period which preceded the slump. That it might offer more than it ever had done was freely stated by experts.

Various persons asserted that the best way to avoid depressions, with their sufferings and restrictions, was by instituting a planned economy as a substitute for haphazard lack of system. We need not at this stage of our argument question whether they were right or wrong; the principal reply which came from the defenders of the existing régime was not that planning would fail in avoiding depression, but that it would involve a restriction of liberty. At present, it was said, people were free to enter what occupations they pleased, make what business arrangements they pleased, buy and sell, accumulate and invest, as they pleased. Planning would mean that some sort of regulation would have to be imposed on these activities. This reply was a striking piece of testimony to the hold which the conception of abstract and universal liberty has had on the minds of Americans. Apparently those who talked in this way never questioned whether even a great and world-wide depression was not too large a price to pay for what they chose to call liberty. It never occurred to them to ask how free millions of unemployed Americans really were. Or to ask whether anyone is really free to do whatever he pleases.

The concept of freedom as an absolute and universal attribute will not withstand the most elementary anal-

ysis. Examination of his own experience by anyone will quickly reveal this truth. Life is a series of choices among incompatible alternatives. A person who really made his guiding principle the retention of absolute liberty would, in so far as he was able to succeed in this endeavor, quickly disintegrate, if not physically, at least psychologically. We are not free to eat poison—and live. We are not free to do anything for which we do not have the capacity and education. We are not free to have both a career demanding concentrated and sustained endeavor, and a vagabond existence. We are not free to enjoy at the same time a varied sexual experience and the satisfactions of a monogamous union. Every step we take involves commitments of some kind which can seldom be withdrawn. If we made the enlargement of absolute freedom the goal of endeavor, every life would be a failure, for it must be a progressive narrowing of possible choices: the very conception of choice involves the conception of exclusion. Assume—what is clearly untrue—that every child at the beginning possesses freedom to make choices among infinite pairs of alternatives; still the process of building his life means the organizing of activities about some manner of existence or other.

The same is true of our relations to society. No society can in fact be built on the negative principle of absolute liberty. The moment purposes begin to be defined, freedom to act in certain ways begins to be restricted. The American Republic is free from rule by Great Britain or by an established church. But those

freedoms are not the most important things about it. Its most important characteristics are found in the way it *is* ruled, both by its own government and by the industrial and social institutions which have come to being within it. If this government and these institutions do not now accomplish well the purposes which matter most to people, they are no more worthy of uncritical preservation than were the governments and institutions against which liberals first directed their fire. To say that we must be denied the liberty to change them, in the interest of Liberty, is to utter an absurdity. It is really to say that we must be denied the liberties which we want more, in the interest of liberties which we want less, or which someone else wants more than we do. Every person, every society, must choose among liberties. Nature's part in the affair is not to prescribe a natural right of Liberty, but to prescribe the circumstances of the choice of liberties.

What are the valid and enduring elements of the original liberal creed? They center, of course, about the fulfillment of the individual. He needs room to grow, power to exercise his faculties, the capacity to lead as rich and purposeful a life as possible. He must exercise reason and emotion in ordering his way of life; he must not be blindly restricted by arbitrary authority imposed either in the interest of some minority group, or of some superstition that defies logic and conscience, or in no interest at all except that of stupid chance. He must be an active and participating member of society. And when these opportunities are demanded, they must of

necessity be demanded not for one individual only or for a few, but for all. This sort of impulse is, however, common to more than liberals. Many who want the most radical changes in society will share it. And it requires, not merely freedom from the wrong kind of compulsion, but organization of life, both individual and social, about the right kind. Liberalism is not therefore a good word with which to describe it, since liberty implies merely the negative aspect of the desired condition. What we want is not abstract Liberty, something that tends to keep the individual and society at a dead center, but the exercise of a principle of growth which not only rejects and changes the stultifying factors which hamper the individual, but accepts, coördinates and utilizes those which are beneficial. We need a shrewd choice of specific liberties, combined with a balanced system which will permit their fruitful exercise.

The absolute conception of Liberty would force us to accept, for example, the absurd proposition that drivers of automobiles ought to be free to use either side of the road as they please, to cross crossings regardless of opposing traffic, to stop anywhere and for any length of time, to choose whether they shall or shall not carry lights at night. It might be argued that only by permitting such freedom could we insure the survival of the fittest, that under it the slow and stupid would perish. But even supposing some of the slow and stupid were not the very ones to survive, what point is there in promoting the survival, in automobile traffic, of the fittest to survive under such insane conditions? The common

sense of man, faced with a practical situation of this sort, has grasped the idea that what we want is not absolute liberty in the driving of motor cars, but the specific liberty to get where we want to go with a reasonable degree of celerity and convenience, and with a reasonable chance of preserving a whole skin. Therefore we have developed an organized system of traffic control and behavior, imperfect in many details and menaced by the anti-social individual, but still constantly adapting itself to the changed techniques of locomotion, and far better than no system at all. Precisely the same logic applies to our industrial and social traffic.

Another sound assumption of the original liberal philosophy is that it is well for man to attempt to exercise a controlling influence over his destiny. This implies the discovery of new truth and its application to new conditions. Blind acceptance of tradition, bowing to fate, lip-service to unquestioned dogmas, are to be rejected in the interest of mastery. It was in order to give man—man in general—opportunity for self-control that the liberals first demanded freedom from the restraining ideas and rulers of their day.

But new truth did not cease to be discovered, and new conditions did not cease to arise, with the English, American and French Revolutions. Acceptance of their traditions, preservation of their institutions, and lip service to their phrases (now become dogmas of the conservatives) will no more fit us to control the common life under the drastically changed conditions of modern industrialism than obeisance to Church, Lord and King

in the eighteenth century fitted the revolutionaries of those times to make use of the newly budding sciences, techniques and customs which signalized the beginnings of democratic capitalism. If liberalism is true to its own basic impulse it must periodically grow out of itself and shed its skin. And since from its first formal statements were made the dogmas which now restrain new growth, the skin which must now be shed is the name liberalism itself, which implies much that is contradictory to the needs of a new age.

The fatal mistake in their philosophy which liberals have from the beginning tended to overlook—a mistake which has become more obvious and more harmful with the growth of technical civilization and the consequent closer interweaving of the interests of men, is failure fully to understand that the true fulfillment of the individual requires, not merely regard for the individual, but intelligent integration of the society of which he is a part. The two things are essential components of the same process. It is true that thinkers like Mill recognized conflicts between the abstract rights of individuals and the requirements of common life, but this relationship was usually stated as an opposition requiring compromise. In seeking the point of compromise, weight was laid on the side of as much individual freedom as possible. This manner of stating the problem, and this bias, arose from the emphasis on liberty as a single absolute. The truth is that the individual has no valid liberty which he cannot exercise as a coördinate part of his natural and social environment. He sacrifices nothing



when he foregoes a liberty which the natural and social situation cannot permit him to exercise without loss.

A far better way of describing the relationship between the individual and society is by the application of the concept of polarity, as it has been developed by such contemporary philosophers as Morris R. Cohen or F. S. C. Northrop. The simplest physical example of the principle is that of the field between two poles of an electro-magnet. In a sense the positive and negative poles are opposite, and exert contrary influences; yet the field of tension maintained between them derives its whole significance and power from the simultaneous existence of the two poles. Much the same principle seems to be applicable in physics and chemistry generally, and especially in biology. Atoms are believed to be composed of positive and negative particles. Any living organism has a nature and processes determined partly by the individual particles of which it is made, and partly by the principle of order or organization which is imposed upon it by something in its external environment. A living human body is a sort of balance or tension between its internal composition and the external supplies of oxygen and food, the external atmospheric pressure, the external forces of inertia and gravity. An organism is inconceivable apart from its environment; its perfect functioning requires adjustment and balance between the internal and external poles of influence. We may apply this idea to the individual and society. Fulfillment of the individual, his very life and internal coördination, require a delicate organization of his so-

cial relationships. To regard the external compulsions upon him as secondary, as a regrettable though perhaps necessary evil, which ought to be minimized as much as possible, and to think of his internal compulsion as primary, is to be as unscientific as it would be to exalt the function, in relation to a magnetic field, of the negative pole of the magnet. The problem is not to avoid external compulsion, for this cannot be done, but to see that the external compulsion is harmonious with the internal. No good influence on the organization of the magnetic field would arise from insulating it against the action of the positive pole, or from vainly trying to do so.

The mistake of liberalism arose from concentration on its negative aspect—of trying to free the individual from being forced into ways of behaving which were unsuitable to a new intellectual and physical environment. Liberalism forgot the equal importance of finding suitable ways of behaving. Its very name was an emphasis of the mistake. Failure to understand the mistake has rendered it a weak and confused doctrine with which to aid the individual anew in being rid of unsuited ways of behavior, now that the environment has changed radically again. Its sounder instincts persist, but the balance of emphasis needs to be more truly rendered. Today more than ever we need synthesis, coördination, rational control. We need these things socially because we need them individually. We are now thwarted, not by Church and King, not by pre-scientific dogmas, but by the dogma of absolute Liberty, by the chaos of indeterminateness

which is the natural accompaniment of planless "freedom." We are concerned, not with freedom from arbitrary compulsions of individual tyrants so much as with freedom from the blind compulsions of a disorganized and unreasoned society. And the service of truth, reason and personality requires, not merely freedom from irrational compulsion, but power to work out their proper principles of order.

## CHAPTER IV

### THEORIES OF SOCIAL REVOLUTION

IF LIBERALISM in its traditional manifestations fails to offer a way out of confusion, if it is not a suitable frame of reference to give meaning to our activities, can we find what we need in any of the theories of revolution? These are usually offered as alternatives both to what we have and to the liberal ideas of progress. It is customary to contrast social evolution with revolution, and to say that we must choose the one or the other. Suppose for the moment that we have full power to make a choice of this kind: is there any sort of social revolution that we may embrace? Revolution here signifies, not necessarily a forcible change brought about with fighting and bloodshed, but rather a drastic overturn of the ruling groups or classes, and of the objectives of society, however it might come. Many a change of government imposed by force rather than by constitutional means is not a social revolution at all, since it merely substitutes one clique for another as the beneficiary of the same set of political and economic institutions. A true social revolution might conceivably come into being by gradual and largely peaceable means.

In examining revolutionary theories it is necessary to begin with a distinction between considerations having to do with the states of society which the various schools of revolutionary thought have set up as their goals, and the processes of revolution upon which they rely to bring these states of society into being. The outlining of better social orders has been a favorite occupation of philosophers and poets ever since Plato wrote his "Republic". Sir Thomas More's "Utopia" gave its name to the species; there is a long line of utopias, having varied characteristics. We have had, in our own day, a large number of utopia-drafters. People have discussed, as they might discuss the aesthetic values of so many epic poems or other works of imagination, the relative desirability of socialism, communism, syndicalism, guild socialism, the coöperative commonwealth, distributivism, anarchism. Each of these words has been given numerous specific meanings, according to the person writing about it, the special sub-school or faction of the revolutionary.

Socialism, for instance, is often understood to denote the ownership of factories, railroads and other productive property by the State. It would leave personal property to the individual. Some Socialists favor national ownership of land, including agricultural land; others do not. Many Socialists believe that, for a long time at least, only the more important large-scale industries ought to be nationalized, while smaller and more normally competitive industries ought to be left in private hands.

Communism is usually thought to require a more complete and radical socialization of property than is intended by the official socialist parties. It is dominated by an ideal of uncompromising egalitarianism in economic matters. Some Communist theorists have advocated the abolition of money and credit, and the substitution of an alternative for the price system. Goods, according to this conception, ought to be equally free to all so long as they are sufficiently abundant, and ought to be rationed equitably in cases where shortage exists.

Syndicalism is sharply opposed to socialism on account of the anarchistic tendency of most of its adherents. Syndicalists believe that the State is inevitably an instrument of oppression, one which will always create and protect favored classes. They therefore advocate that the State be abolished and the several industries be owned and operated by syndicates composed of the workers in them—the workers, of course, employing, or making partners of, the necessary technicians and executives.

Guild socialism arose in England as a compromise between Syndicalism and Socialism. It recognized the validity of the desire of workers for self-government in industry, but saw also that, in the interest of the workers as consumers, the industries would have to be coordinated with one another in a way that would scarcely be possible if each were separately owned by those who worked in it. We could not have a series of competing and hostile syndicates, warring with one another for exclusive advantages. Guild Socialists therefore worked

out a complicated series of proposals for State ownership of industry, with a large measure of syndicate control in the operation of each; the population being represented in its two main capacities by two houses in the national assembly—a producers' chamber and a consumers' chamber. The Guild Socialists also laid much emphasis on the function of the technician.

The theorists of the Coöperative school picture a society organized in the interest of the consumers, but without the intervention of the State or the necessity of a political revolution. This would come about through the universal organization of the population in consumers' coöperative societies, which, of course, eliminate private profit from their operations. These societies, through their ownership of coöperative wholesale institutions and, eventually, of all the producing units necessary to supply the goods wanted by the consumers, would establish a non-profit monopoly which would substitute itself for capitalistic industry. The change would, of course, be gradual, and would come about partly through the superior competitive efficiency of coöperative institutions and partly through the idealistic fervor of the coöperative spirit.

Distributivism, largely a Catholic doctrine, is not perhaps a truly revolutionary philosophy, since it is usually offered as a substitute for the more drastic proposals, but in many respects it is just as idealistic and utopian—and, indeed, further from the actual conditions of the present-day economy. It advocates a far more equal sharing of income, property and power under the capital-

istic organization of industry—higher wages, lower profits, and, in particular, the distribution of ownership shares among virtually the whole population, with the idea that this, by making everyone a stockholder, would establish a sensible democracy in industry and would make social justice possible.

Anarchism is the most unrealistic and utopian of all the modern proposals. It demands the abolition of government entirely, with the idea that it is the State which makes possible special privilege—for instance, through the legally protected institution of private property. It has an enormous faith in the goodness and reasonableness of the individual, believing that if he were freed from all kinds of arbitrary compulsion—such as the State applies—the result would be a just and coöperative society combining in full measure liberty, equality and fraternity. While the anarchist is ordinarily detested as the most dangerous of the enemies of society, and is thought of as an assassin and a bomb-thrower (some Anarchists do believe in using violence against what they conceive to be an unjustly violent government), Anarchism is in its essence the social philosophy of the saintly innocent.

In addition to the variants of each of these schools, there have been numerous cross-fertilizations among them. One of the best of these was embodied in Sydney and Beatrice Webb's "A Constitution for the Socialist Commonwealth of Great Britain," which elaborated in unusually realistic and hard-headed detail how the principles of public ownership, of consumers' coöperative



agencies in distribution, and, to a limited degree, of workers' control through trade-union action, might be developed out of already existing institutions and integrated with a reformed governmental system.

No highly condensed account of the principal modern social utopias can be fair to all their several implications, but it will suffice for the present purpose. For the more one discusses proposals of this kind as goals or complete systems, as abstract aspirations, the more one feels the futility of that occupation. It is, for a time, a fascinating game to one whose emotions are stirred by the injustices of the existing world, or whose creative fancy is captured by the imaginative task of remaking it closer to the heart's desire—on paper or over the dinner table—but after all it may easily become just a game, a compensation for, or a diversion from the realities of existing society. One may say, "I am a Socialist," or "I am a Communist," and still go about his daily occupations much as if he had said, "I am a Presbyterian" or "I am a Unitarian." The more inactive may do nothing about their beliefs except occasionally to cast an apparently futile ballot for what seems to be a hopelessly minority party, a party which maintains a precarious existence within the framework of a political system which is thoroughly distrusted by the voter in question. The more fervid and self-sacrificing may make speeches or write pamphlets or create minor disturbances which get them arrested—acts which appear to be ineffective except in persuading a few others to cast equally futile

ballots or make equally ineffectual demonstrations. If no one of these crusaders has a chance of getting his way, it does not make much difference which doctrine he espouses, or which variant of it he favors, or whether he espouses or favors any.

From this point of view, the superiority of a social revolutionary theory over a liberal one could be derived only from the superiority of the imaginative compensation which it might offer to one who was thwarted in his daily life. The liberal might be confused and dissatisfied in his conceptual world as well as in his social relationships; whereas the revolutionary might find in the contemplation of a perfect and just imaginary society that satisfaction which comes with a sense of completion and security. It would be the same kind of satisfaction which the primitive Christian derives from the contemplation of a Heaven for the inhabitation of those who live after they are dead. There every earthly wrong will be righted, every sorrow erased, and every imperfection made perfect. Religious faith of this kind enables us to endure more cheerfully what we experience, by fanciful participation in another world where experience is different.

The trouble with this type of compensation, however, is the same in the case of utopian theories as it is in the case of naïve religion. Even as a means of private satisfaction, the efficacy of a utopia is destroyed for the more critical by the growing sense of its unreality. We need a frame of reference, to be sure, but we need one which has some credible basis in objective experience.

Just as religion, according to the revolutionary, is an "opiate of the people"—something which dulls their sense of the injustice in their actual situation by the substitution of dreams—so a merely utopian theory evinces the dangerous possibility of drugging the wills and paralyzing the activities of dissatisfied persons by centering their attention on a fine but unattainable aspiration.

To dismiss all the utopian aspects of revolutionary theories with this comment would, to be sure, do them scant justice. There are two defenses that may be made of utopias, and both of them contain truth. One is that in playing with ideas of this sort, men are preparing themselves to handle more serious jobs when the proper time comes, just as children in their play learn how to coördinate their activities in adult life. No one can tell at what moment something may be borrowed from a utopia and installed as a new part in our actual social machinery. This sort of thing has frequently happened in the past. And men who are acquainted with the aspirations and imaginary devices which are set forth in utopian theories are far better fitted to construct new things, whenever they may have the power to do so, than they would have been had they never seriously considered such matters. Utopias are, historically, the projection forward of human desires and possibilities; they foreshadow, even though the shadow be distorted, what is likely to come to pass. In the long run, the revolutionary, who recognizes the existence of radical change and is desirous of bringing it about, may be more practical than the "practical man," who wants only to make

minor changes which really are not changes at all, and who therefore may at any time find himself a straggler behind the procession.

The other defense is that belief in a utopia, like belief in religion, may be an activating principle as well as an opiate. Ardent faith in something, no matter whether that something is objectively "true" in all its details or not, does occasionally move mountains. Certainly any group of people who are to accomplish anything momentous must be moved by a compelling belief in a goal or a force which is felt to be so much bigger than themselves that they leap over inconveniences and call forth unsuspected powers out of the depths of personality.

Both defenses are valid, however, only to the extent that the utopian theory to which one is attached actually embodies objective possibilities. Ardent belief that the world will come to an end in seven days might give private satisfaction to the person who believed it, and might even stimulate his activity, but it would have no effect on the date or manner of the world's end. Whether one can accept any one of the revolutionary theories heretofore enunciated, and if so which one, is not a matter of practical indifference, depending on private fancy only. The future condition of society depends intimately on the present one; it can be influenced by human wills, but only to the extent that human wills can affect what is and what is becoming. It is for this reason that it is more important to study the side of revolutionary theories which prescribes how revolutions are to be brought about than to discriminate among their specific objectives.

For the objectives are inevitably conditioned by the same circumstances which condition the revolutionary process itself.

Karl Marx was one of the first revolutionaries to understand the need for something more realistic than utopian theorizing. He substituted a so-called "scientific" socialism for the utopian variants which had gone before, and in so doing affected the thought of the world profoundly. Marx has become the Bible of revolution. Like other Bible-makers he has many interpreters, who differ among themselves widely, and each of whom assumes the mantle of orthodoxy. The most important contributions by Marx, however, not only furnished the creeds for the several orthodoxies. They consisted of a valuable emotional attack on the injustices of the existing order, and embodied those broader conceptions which have overflowed the boundaries of formal groups of followers and have influenced to some degree at least the ideas of many who do not call themselves Marxians at all.

Without pretending to accuracy in detailed exposition of Marx's own works, and without attempting to expound the more abstruse of his economic theories, such as the theory of labor value, we may state the position which has come to be known as Marxian broadly as follows.

No revolution is ever brought about by the imaginative ideas of intellectuals, reformers, or persons acting out of generosity and good will. Social and economic institu-

tions are based on the selfish interests of individuals, groups, and classes. Institutions are modified by these persons, groups and classes acting in their respective interests. These interests are mainly economic; they are determined by the drive for material advancement. This is the "materialistic interpretation of history," of which Marx was not the originator, but of which he was one of the greatest exponents. Historians have seldom swallowed it whole, but few modern histories fail to show its influence.

Capitalism, which is the system of society arising from the machine technique, the factory system, and the private ownership of productive property, inevitably creates great inequality in the distribution of income and power. The choice fruits of capitalism go to the owners of productive capital, who gain their riches at the expense of the workers. Thus capitalism tends to divide the population into two classes—the owners and the proletariat. The former live by owning, and the latter must live by working for the owners, for the capitalistically owned machine and the factory have been substituted for the old, personally controlled hand tools and handicraft occupations.

The force which may be relied upon to change capitalism into something different is the class struggle. In the transition stage from older cultures to full capitalism there are, of course, many who are neither capitalist nor proletarian in the complete sense. There are artisans, peasants, petty traders and shop-keepers, and the like. But these persons will tend to be eliminated, and their

importance minimized, with the natural evolution of capitalism. For competition among business units leads to the elimination of the weaker, the growth of the stronger, and the combination of the survivors for monopolistic purposes. The superior efficiency brought about by the division of labor and large-scale production requires that the producing units become larger and larger. Even agriculture will, in the end, succumb to capitalistic ownership and large-scale production. There will be agricultural absentee-owners, while those who actually raise the crops will be employees. Most of those persons in the border-land between the owner and the worker, who are not eliminated, will probably serve the interest of the capitalist to the end, and share his prejudices, since their livelihood depends on the survival of the capitalist order, and many of them hope to become capitalists themselves. They may therefore be regarded as members of the capitalist class.

The working class will gradually become conscious of their subjection; and will understand that the miseries and injustices of their lives arise from the capitalist system. They will constitute the great majority of the population. Industrial crises and unemployment, which arise from the nature of the capitalist system (since it always tends to produce a surplus which the workers cannot buy) will become progressively more severe. Final collapse may be postponed by the exploitation of new and foreign markets, but when the whole world is industrialized, capitalism will run into a cul-de-sac. In the meantime wars prompted by nationalistic economic

rivalry will increase the miseries of the population. Eventually the workers, driven to desperation, will seize the factories and other means of production, abolish the capitalistic State, and operate industry for the common benefit of all. This will be a violent revolution, since no class ever gave up exclusive privileges voluntarily.

The workers, having been trained by their common subjection and misery to understand the need of solidarity and coöperation, as opposed to competition and the seeking of exclusive advantage, may be depended upon to introduce a really new régime. They will be obliged to establish a temporary dictatorship for the suppression of troublesome minorities, but the outcome will be a classless society; everyone will perform useful work and nobody will live on the product of another.

This revolution must be world wide, since the interlocking of economic organization is, or must become, international. The interests of the workers in the various nations are common; their brotherhood with each other looses any nationalistic ties which may exist between them and fellow-countrymen of other classes.

In this inevitable process of social and economic evolution, the growth of capitalism plays an essential part. Under capitalism the instruments and technique of production will be elaborated, and the great productive units built up. The workers can take over a ready-made industrial machine; their contribution will be to see that it is operated for the common good.

This conception involves a curious mixture of determinism and free-will. The course of affairs out-



lined is supposed to be inevitable. No one can stop it, and no one can hasten its consummation before the appointed time. This sense of the inevitability of the process in which they are taking part gives many Marxians a feeling of mental security and importance. Nevertheless, it is necessary to convince, organize and discipline the workers in the ideas appropriate to their part in the process, in order that they may be prepared to seize and exercise power when the time comes. This requires heroic effort, not mere waiting for an impersonal stroke of fate.

There is also imbedded in this philosophy a contradiction between materialism and moral ideas. What happens will be the result of action by individuals and classes in their respective material interests. Nevertheless, it is necessary for the workers to have a very strict morality in order to serve their interest. This is the morality of the brotherhood of the working class. It has instilled, into many who have accepted it, a truly religious fervor, which leads those who are inspired by it, not to seek their own material interest, but to engage in self-sacrificing activities for goods which are to be enjoyed by others—and, usually, for goods which are to be enjoyed, not by others of this generation, but by those yet unborn.

Whatever one may think about the accuracy of Marx's diagnosis of society, he must admit that this sort of revolutionary theory is the only sort worth serious consideration as a framework of faith. It is intended to be, not so

much a fancy picture of the kind of world the author thinks he would like to have—if he could get it—as it is a prediction concerning the kind of world which is certain to eventuate, the current institutions and dispositions of men being what they are. If the Marxian analysis of capitalistic civilization is entirely correct, there is no escaping its conclusions. This is true, no matter whether one regards the ultimate state of society which Marx foresees as a heaven on earth or as a peculiarly unpleasant sort of order. Karl Marx's attempt to be "scientific" is the point at which examination of his system of thought must be made, if we are to face the issues he raises.

The first observation which occurs to the twentieth-century commentator on this nineteenth-century theorist is that he is not really half so much scientist as prophet. Many of his conclusions concerning the nature of industry, of economic principles and of social forces were based, in spite of the elaborate study of facts which he made, not on evidence which a careful scientist would be obliged to recognize as conclusive, but upon feeling, intuition—whatever that mysterious faculty is which prompts men to comprehend a situation in broad terms and predict the outcome. If a good deal of what he predicted has come true, it is not because he had any perfect logical assurance that this would be the case, but because his hunches were good. Even yet the social sciences have not developed either a sufficient array of facts or a sufficiently reliable technique to be able to give scientific finality to many conclusions of any kind—much

less to the very broad conclusions which Marx thought he had established as certainties. This judgment would not have to be reversed even if every one of Marx's predictions should eventually come true. In spite of his heroic effort to be scientific, and in spite of the pretensions of his work, what he really was doing was to express his strong desire for what seemed to him a more just and palatable social order in terms which made its attainment appear more sure than did the vagaries of the utopian revolutionaries.

To say this is not to belittle his work. This is the way in which much of significant human endeavor proceeds. Men who desire things strongly enough are usually expressing desires common to many others. And the method by which strong desires can be effectuated is to examine the materials out of which the result which is wished for may be created. But to say this is to cast more doubt than the strict Marxian will admit on the question whether Marx was right, even in the main essentials of his theory. Some of his hunches may have been as bad as others were good. And some of them may have been true in many cases or to a large extent, though not universally true, as is often thought. Without really scientific assurance, we cannot say how true they are.

It is more important to know how right Marx was, or to what extent he was right, than to swallow whole his theory of revolution as an exercise of faith, for the purpose of energizing practice. Those who have swallowed the theory will not entertain questions concerning a

fundamental article of that faith such as the class struggle or the eventual world-wide revolution. They assume, as good Marxians, that anyone who questions any of these articles does so because he is influenced by self-interest, by a capitalistic bias. Nevertheless it is equally possible that they themselves have been influenced to accept these articles because of a bias in favor of a different state of society. It is possible that they are distorting the possibilities of the present situation, in the interest of an outcome which is not only not inevitable, but impossible, if sought with their methods. It is not the present purpose to assert that the radical Marxians *are* thus distorting the truth. The point is merely to clear the way for critical examination by raising the question. For the communist, as well as the utopian, may be escaping from reality. To satisfy his private desire for a different order of things, he may be allowing his emotions to create a dream-world which absolves him from real responsibility for all that happens before an apocalyptic crisis. This is utopianism of a peculiarly deceptive sort. Because it involves personal sacrifice, danger and discipline, it offers a heroically appealing way of life. But, unless its faith in the goal of all this effort is justified, the way of life is merely a way of personal salvation by belief in an imaginary heaven.

To cast aside evidence which may tend to prove that Marx was wrong in any respect, or to pretend that any of his conclusions is scientifically established when as a matter of fact it is not, is to be untrue to the major premise of Marx himself—which is that in order to know

how to act effectively we must act in accordance with the natural evolution of human society.

The development of capitalism up to the present confirms Marx's predictions in a number of important respects. It does produce and maintain inequality of income and concentration of the ownership of productive capital. The artisan, the small shop-keeper and business man are being progressively eliminated in an increasing number of fields. Even in retail distribution, where, as critics of Marx formerly pointed out, the small enterpriser was holding his own, he is now losing out to the large business organization. We see the beginnings of corporate, large-scale farming; it has been successful in such crops as wheat and rubber. How far it will go is still uncertain. There is undeniably a tendency for the population to become divided into the two classes of owners and employees, although that tendency still has far to go before it becomes as dominant as the Marxians picture it. Marx also appears to have been right in predicting the recurrence of industrial crises and unemployment. Before the depression of 1930 it was a favorite doctrine of academic economists and business men that the development of capitalism was tending to minimize these crises, but few of them would support that doctrine now, in the face of the admitted fact that this depression was one of the most severe on record.

The popularization of Marxian theory which asserts that "the rich are growing richer while the poor are growing poorer" is, however, open to question. In spite of the immense inequality in the distribution of income,

reliable figures are lacking to prove that the inequality shows a tendency to increase for long periods at a time. The rich probably are growing richer—depressions aside—but so, by and large, are the poor. Figures on the average real income of wage-earners are notoriously unreliable, but the best we have show that there has been a long-run rising tendency, at least in the United States. The constant improvement of productive technique, whereby more goods may be turned out with less labor, introduces a factor which is virtually certain to improve standards of living in the long run, under any social order which gives it scope. Possibly in countries less fortunately situated in respect to natural resources and the extent of internal markets, or in countries which have reached a later stage of industrial development, it will be found that Marxism is correct as to this also. But it is important to note that, at least in one stage of its development and under certain circumstances, capitalism does seem to make possible “rising standards of living” for large sections of the community. (Some Marxists contend that Marx himself did not deny this tendency.) This fact has an important bearing on the psychological state of the workers. Whether or not it increases their ultimate satisfaction is another matter.

Nor is it fully established that capitalism is doomed to collapse because of its aptitude for producing unmarketable surpluses of goods—the incomes of the workers not being sufficient to buy what they make. If we assume—though this assumption has never been irrefutably established on the basis of reliable evidence

—that this is the chief cause of industrial depression, still it is far from certain that the only way out of depressions is to discover hitherto unexploited foreign markets, and that when these are all developed a final crash will arrive. The study of modern economists seems to establish the principle that, just as in every period of prosperity there are the seeds of depression, so in every depression there are the seeds of revival. The capitalist order, unplanned and uncontrolled as it is, is in a pretty constant state of disequilibrium, but there are in it forces which keep compensating—or overcompensating—for its lack of balance. When prices and incomes get out of adjustment, prices fall. Surplus stocks of commodities are used up. Investment of capital in new enterprises starts new streams of purchasing power. New ingenuity reduces costs of production. Another upward swing begins, and pessimism and disillusionment are succeeded by new hope and energy. This observation is not advanced as an argument in defense of capitalism, which is admittedly defective by reason of its inequalities, fluctuations and miseries, but as a reason to doubt the inevitability of a sudden, self-engendered collapse of the régime.

The doctrine of the class struggle—which is the most important of all in Marxism, since it supplies the motive force for the revolutionary change—is also open to serious question as a universal and inevitable characteristic of capitalism. That the class struggle exists, no one can doubt who has ever seen a great strike, especially in such an industry as steel, coal or textiles. Here is pres-

ent every characteristic of the typical warfare between the worker and the owner. Great numbers of people, living in ugliness and squalor, are revolting against working conditions maintained by those few who have every necessity and comfort. Frequently the owners are not even present; they do no work in the industry at all. On the side of the owner is arrayed virtually all the police force of the government, the newspapers, the "respectable elements" of the community. The workers develop a remarkable sense of solidarity, an ability to coöperate and suffer in a common cause, though they may be of different races and speak different tongues. Every characteristic of a state of war is present. There are plans of campaign, organization of supplies, espionage, censorship, suppression of civil rights. So intense is feeling on both sides that neutrality is next to impossible. It is, for the time-being, literally true that there are in the community in question only two classes—the workers, together with those who side with them, and the owners, with their minions and allies. Anything like normal democratic government disappears. Frequently there are outbreaks of violence; occasionally killings; and sometimes, even marching crowds of men and women engaging in pitched battles with the armies of the capitalists.

Anyone who has once felt the impress of an experience such as this must admit that the class struggle is not merely a theoretical fabrication. It is, at certain places and times, as real as anything can be in this world. Furthermore, it is always implicit in the employer-



employee relationship. Let the chasm between the two become wide and deep enough, let the proper circumstances and grievances arise anywhere, and you will have this sort of thing repeated, with only minor variations. No industrial nation is without it. The class struggle is endemic in capitalism. At times it becomes epidemic. The question is whether it can be expected to become pandemic.

Here again, as in the cases of the distribution of income and industrial depression, there are enough qualifications to make it uncertain how far this internal weakness of capitalism will develop. In the United States the feeling of workers' solidarity as opposed to the interest of the owners has not been strong enough so that more than a minority of the industrial wage-earners have even become organized in trade-unions. Unorganized workers sometimes strike, it is true, but on the other hand it must be remembered that many of those who are organized have made places for themselves within the capitalist structure such that they do not usually desire or anticipate any revolutionary change. This conservatism is, indeed, one of the common characteristics of the trade-union movement in all countries. Opposed to the experience of the dramatic strike is the less intense, but equally frequent experience of bargaining between union representatives and employers. The labor leaders act like so many business men, striving to safeguard and improve conditions built up little by little over a long period. Union leaders ordinarily come to dread great strikes and mass movements because open

warfare, if too frequently invoked, is likely to destroy or weaken the concessions which they have already won and the organizations which they have built. The experience of organized labor under capitalism is such that while it safeguards the threat of the strike as an essential basis of its power, it seldom desires to make good on the threat. Most of its gains are made by trading or arbitration rather than by warfare. The chief use which it makes of industrial conflict is, not to attempt to change capitalism at one stroke, but to gain the right to bargain, the right to be accepted as a competitive institution within the business realm.

Thus we have the curious spectacle of labor itself resisting the "inevitable" progress of the class struggle. The great masses of workers do not, under ordinary circumstances, either understand or practice it except in a desultory way; while most of the self-conscious organized groups repudiate the idea and employ only a limited form of conflict as a strictly bargaining weapon. Marxians habitually account for this disconcerting fact by denouncing the "traitorous" or "bought" or "stupid" leaders. Yet a more rigorous application of Marx's own method would indicate to them that such leaders would not customarily hold the ascendancy unless there were a reason for it in the social situation. The kind of leaders organized labor has, and the opinions they hold, are, in the main, determined by a process of social survival.

This process is clear enough to anyone who has watched the trade-union movements over a considerable period. In order to exist and make gains which keep

the workers loyal to the organization, unions have to offer them concrete gains in their daily lives—specific advantages in wages, hours or conditions which may be obtained this week or this year rather than in some indefinite and problematical future. In recent times in the United States, labor organizations have even had to compete with anti-union employers in winning the confidence of the workers, in convincing them that they can produce such gains. Unions must therefore develop a *modus vivendi* with employers; they must make contracts and agreements; they must adjust themselves to the going industrial system. More radical organizations, such as those formed by the Communists, which emphasize fundamental and continual warfare with the employers, are likely to wane and disappear. Apostles of the class struggle, with their fire and enthusiasm, are often better fitted to carry on strikes and do organizing work in situations where labor conditions are extraordinarily bad, and where the class struggle is, for the moment, a reality. But they are not so well fitted to carry on after the union becomes a recognized and stable body, which must live by compromise.

Whether the conservative or the revolutionary union will eventually keep the loyalty of labor depends on the development of capitalism itself. If it is heading for a collapse, which will render labor hopeless of satisfaction except by dispossessing the owners, the more radical leaders will gain the ascendancy. As long as capitalism does not proceed in this direction, the revolutionary union embarrasses its conservative rival and tends to sap

the strength of the labor movement for its daily task. For this reason the regular and recognized labor leaders are as bitter foes of the Marxians as can be found. If Marx's prediction of collapse and revolution is not well founded, the conservatives are justified in calling the Communists misleaders of labor in the interest of an impractical dream. If, on the other hand, the Marxians are right about revolution, the conservatives are the misleaders. In the meantime, conflict between the groups holding the two opinions is inevitable. The class struggle becomes submerged in an intra-labor struggle, and it cannot be depended upon as the sole agency of radical change.

Another development is taking place which likewise weakens the immediate potency of the class struggle. It is true that the proportion of the population working for others is tending to increase. But it is also true that the proportion which Marxians think of as the "industrial proletariat"—*i.e.*, those who work with their hands and receive wages, is tending to decrease. As industrial technique advances, more and more product is turned out with less and less physical labor. The workers in factories, mills, railroads and mines increase less rapidly than the population, or actually decrease in number. At the same time, more persons are required for the office and sales forces. More engineers, accountants, salesmen, book-keepers, clerks, minor executives of all types, not to speak of auxiliary workers like lawyers, insurance forces, governmental employees, banking staffs, are needed as industrial organization be-

comes more complex. As direct labor goes down, overhead rises. And as the standard of living rises, a larger proportion of the population is engaged in the "service" occupations and those which provide amusements. Workers in the talkies, in barber shops and beauty parlors and the like tend to proliferate. What is the result? There is a strengthening of that group in the community which, though it consists largely of employees, has never been regarded by revolutionaries as good raw material for the armies of labor. These people are, in the way they think and act, *petites bourgeoises*. They hope for advancement by pleasing their employers. Many of them have no well-established craft or skill which enables them to change jobs easily. They are far more fearful than the wage-earner of being discharged. They dress well; they have social ambitions; they are snobbish. They are extremely cautious in transgressing the customary social mores. They do not dare to have unpopular opinions or vote for the "wrong" party. They take their lead, in convictions and behavior, from the leaders who have traditional prestige—at present the rulers of industry. Just because they are economically so close to the wage-earner, or are in danger of becoming so, they resist with all their might being classed with him.

During the steel strike of 1919, I interviewed a young engineer in Pittsburgh who knew the technical aspect of the industry thoroughly. When I questioned him concerning the strike, he replied that he was not interested in it because it was a strike of the unskilled. Did he not

think the situation of the unskilled steel worker ought to be improved? I asked with some surprise, believing that he did not share the encrusted prejudice of the employer who thought the laborer beneath serious consideration. His reply was, "We are not going to improve the condition of the unskilled; we are going to abolish them." Here was an engineering type of radicalism, which foresaw that most of the physical labor of the world would sometime be performed by machinery and mechanical power. His prediction has not yet come true, but it is now far nearer the truth than it was when he spoke. Go into the most modern steel mill, and you will see few men except those pulling levers and pressing buttons, operating great travelling cranes, or perhaps setting and repairing machinery. What will happen to the class struggle if in the future the great majority of employees become highly skilled technicians or office workers?

In Great Britain and European nations, it is true, labor is both better organized and more radical in its accepted economic and social theories than in the United States. The chief expression of this characteristic is its independent action in politics. There are strong labor and socialist parties in most of these countries. A labor movement seems to be the one reliable basis on which there can be built a going political machine which does not rely for its staff on a group of self-seeking politicians and for its funds on contributions from rich employing groups. If trade-unionism in the United States ever be-

comes widespread enough, and thoroughly enough imbued with ideas of political and economic change, we may find it a fulcrum by which we can be pried out of the existing political morass. Labor and Socialist parties are also more successful in gaining the allegiance of non-wage-working employees than are purely economic organizations of the workers. As soon as a party becomes well enough established to hold office and be respectable, many "white-collar" workers will vote for it; there is less danger and sacrifice in casting a secret ballot than in opposing one's employer by belonging to a union or going on strike. It is to be noted, however, that most of these parties are not adherents of the doctrine of violent revolution. They have domesticated the class struggle to the comparatively innocuous terms of utilizing existing constitutional machinery to obtain whatever changes they want. They are, in other words, Reformist and Socialist rather than Communist. Communist parties sometimes attain considerable strength in nations like Germany which have undergone intense economic disorganization and suffering since the War, but they do not thrive except as a country approaches industrial collapse.

This may be thought to indicate that it is more realistic to embrace socialism than to throw one's lot with the revolutionary Marxians. Nevertheless, even the most ardent Socialist must admit that Socialist parties have nowhere done much to change the essentials of the capitalist régime. They have introduced many desirable reforms, but capitalism nevertheless operates in Europe much as it does everywhere else. Many reasons are ad-

vanced to account for this failure. One is that no Socialist party has attained power in any national government with a clear majority behind it. This reason alone is sufficient, unless one asks further why no Socialist party has achieved a stable majority and whether it is likely to do so. This question may be waived; we may assume that the parties will keep on growing as they have done in the past and will eventually command more secure political power.

But there is a further and more penetrating question, which is exceedingly difficult to answer. Socialist parties in a capitalist regime appear to behave much as trade-unions do. Abstractly, they could, with political power, change the whole system. But really they do not wish to take the risks and losses inseparable from doing so. They dare not upset too much of the going institutions, knowing that, if they did, there would be temporary confusion and conflict which would cost them many votes and swing their opponents back into office. They have no dependable technique for bringing fundamental change into being. Their theory is that democratic political machinery will be enough. Yet, as they approach the crucial point of action, they discover that it is a weak support. The ground is not well enough prepared. They do not have a sufficiently valid program. Drastic changes cannot be made smoothly enough, by any means they have invented, to prevent those who would immediately suffer as a result of what they do from using the machinery of capitalist democracy to oust them and keep them from doing anything at all. In certain cases, they



know that they could not depend on the police power of the government to suppress armed resistance which would be used to oppose the mandate of the majority. Or they hesitate to precipitate civil strife, even if they believe they would be victorious.

The result is that, like unions, they bargain, reform, and get what concessions they can, while the main stream of business enterprise drifts on as before. The more happy the result of the drift, the less impulse there is to do anything but reform the system in detail and moderate its rigors. The less happy the result, the less margin there is with which to play. Socialists in power become fearful of disturbing the situation any more than it is disturbed in any case; it seems more important to extricate the nation from the immediate difficulty, by measures which non-Socialists can approve, than to undertake thorough-going change. And, if the drift is to catastrophe, the Socialists are superseded by more ruthless revolutionaries.

Only the exceptionally strong, or those with comparatively little stake in the smooth operation of capitalism, can be counted upon to subscribe to really revolutionary doctrines when it comes to the pinch. Capitalism operates with exceeding imperfection, but there is a chance that it will operate just well enough to "get by," so long as one relies on the class struggle to change it radically and suddenly, whether by violent or by political means. This will remain true unless the unrest

which one finds in every class during a depression is intensified a hundredfold by a real collapse of business and industry. But capitalism, it is well to remember, has never yet collapsed anywhere in the way in which Marxians predict. The Russian revolution occurred in a nation still predominantly feudalistic, in which capitalism had barely started to grow. The popular demand which put the Russian Communists in power was not a demand for better control of an already ripe and rotten industrialism, but a demand for "peace and bread" in a nation whose primitive industrial order and antiquated government were unable to withstand the shock of modern war.

This is no proof that the capitalist world may not engage in another catastrophic war which will bring collapse, or will not commit suicide in some other way. The Communists may still be proved right. Or the Socialists may find a way to create peaceable revolution. It is well that both groups exist, to test their respective modes of action, to fertilize thought, to be ready for circumstances which may favor the progress of either one. There is much in the aspirations of both which the world could not forego. But the philosophy of neither concerning the process of social change is now compelling enough so that it leaves no room for further inquiry on the part of a critical intelligence. There must be corrections to be made in the programs of each, before the most practical technique of revolution is discovered. There must be other forces at work to bring change than those which

the revolutionaries have hitherto emphasized, if salutary change can confidently be expected. Traditional revolutionary philosophies—no matter how desirable a revolution might be—cannot be called in as a completely satisfactory substitute for that traditional liberalism which has been found ineffective.

## CHAPTER V

### THE ORGANIZING MAN

THE conservative-liberal and revolutionary philosophies share a number of the same errors in their analysis of social forces. They both over-simplify the motives behind the activities of individuals. They overlook a significant tendency in social evolution, and minimize the leading idea which can eventually be depended upon to give meaning to our activities.

The classical economists, with their liberal background, assumed as a premise "the economic man." This man was like the atom, on the composition and activities of which the physicists built their theory of the nature of substances and of the changes which take place in them. So the nature and activities of the individual economic man were supposed to determine the structure of economic society. His main impulse was supposed to be the desire for material gain. Leave the individual economic man free to follow this impulse, said the classical economists, and the best interests of everyone would be served. The more efficient competitors would survive. The consumers would get what they wanted most, at the lowest possible prices. The automatic adjustments taking place through the interplay of costs and prices

would maintain a healthy equilibrium in economic endeavor. The main-spring of it all, which was indispensable, was the desire for profit.

The Marxian revolutionaries accepted the conception of "the economic man" in a disguised form. Everyone was in search of material gain. You could not trust anyone, under the régime of private ownership of the means of production, to do anything but seek profit. The chief difference between the revolutionaries and the classical economists was merely that the revolutionaries denied that this process was beneficial to everyone. Though it did serve the interest of the owners, it suppressed the non-owners. These persons, in turn seeking their own material advancement, would in the end dispossess the small minority of owners and transfer the ownership to themselves. They could not, of course, do this as individuals but only as a class; hence common ownership would take the place of individual ownership. The emphasis of the revolutionaries, like that of the traditional liberals, has centered about the issues of profits and property.

But it is now a commonplace of the sciences dealing with human behavior that "the economic man" is a myth. Man seems to have, to be sure, a desire for gain, and under the capitalistic system the owners of productive property certainly do seek profits. But man has many other impulses as well. You cannot abstract one of his impulses, pretend that it is a complete man, and account for everything that happens in a large realm of human endeavor on the basis of that one impulse.

A favorite trick, not only of economists, but of sociologists, is to posit certain fundamental instincts in man, and then to build a theory accounting for human behavior on the basis of these one, two, three or more instincts. Granted the premises, most of these theories are logical enough. But how can we know that the premise is correct, in any of the theories? What is the real nature of man? What instincts is he born with? What traits does he acquire from his environment? The study of these matters is a complex one, which conscientious psychologists have not yet mastered. What we do know is that any theory which emphasizes any one motive at the expense of the rest is pretty certainly fallacious. It is much easier to study how men actually behave in specific situations than to say what moves them to do what they do, or what the result of that motive would be under different circumstances.

Any realistic study of the way men behave even in producing and using material goods, must quickly reveal that they exercise traits and have habits which cannot be accounted for wholly on the basis of the profit motive. We produce and enjoy flowers from our gardens. This activity is more complex than any which is derived from the desire for material gain. We enjoy the colors and shape of the flowers; we like to decorate our houses with them; we want to imitate a garden we have seen; we crave, perhaps, the social approval which comes from having a well appointed home; we are satisfied by the order and composition which results from good planning; we derive a sense of well-being from the

feel of the dirt and the physical exercise of digging; we like to exercise discrimination in what we plant; we take pleasure in the exclusive distinction of having a flower that others do not possess; we experience an impulse to activity which must be employed in a meaningful and creative way; we must carry a process through from beginning to fruition. Similar impulses, and others as well, may be found in the behavior of men in almost any field of endeavor. The completely logical classical economist would be at a loss to account for the garden unless the flowers were raised to be sold.

Scientists are not moved primarily by the desire for profit; neither are artists. They have to live, to be sure, and in a commercial world they have to find some way to sustain themselves, either by the sale of their product or by the sale of their labor, or by the ownership of something that renders them a living. But they find fascination in the work itself. And there is something of the scientist or artist in almost everybody.

We cannot identify a single motive as the cause of human behavior. But there is a leading habit or trait observable in many forms of social and especially of productive endeavor, which exists independently of whether this endeavor is carried on for gain. We need not call this habit an instinct or a fundamental motive; what particular elements in the psychological nature of man make him act in this way we need not, for the present purpose, inquire. It is enough to identify the manner of behavior, and to see that it is widespread and deep-seated.

This is the habit of planning and organizing the task and the social group. Without planning and organization, most jobs could not be done at all, and a progressive technique of work or play would be inconceivable.

The self-sufficient farmer, in the days before machinery included more than a few simple tools and when there was no mechanical power except that in the muscles of men, women, horses and oxen, had to organize his operations with great care. He was surrounded by an external environment, consisting of the nature of the land and the soil, the succession of the seasons, the climate and rainfall. He had a family which had to be housed, fed and clothed. The requirements of the job before him demanded the apportionment of the land available among crops, pasture and woodland, the maintenance of the necessary domestic animals, the sowing, cultivation and reaping of the crops at the proper times. The several members of the family had to attend to their shares of the work; the women not merely cooking, cleaning and serving as at present, but often spinning, weaving, and pursuing other handicrafts. Such a coöperative producing and consuming unit could not proceed at all without forethought and order.

Of course it is not true that each farmer had to face this problem as if he were the first farmer in the world, and think it all out anew before anything was done. Agricultural customs and ways of living represent a gradual accretion over many generations, son learning from father and grandson from son. Changes were gradual, and planning was, in a sense, barely conscious.



Nevertheless, the planning and the order were there—largely a social outgrowth to be sure, but modified and improved in detail from time to time as a result of the observations and experiments of individuals. Any helpful change that was made had to be made in connection with the whole organization of the group life; frequently it required alterations in many other details. If every member of the primitive farmer's family had been "free" to seek his own gain in his own way, they all would have starved.

In most agricultural societies, also, the farmer required a community made up of a number of families, and eventually a somewhat specialized community. There arose the local or itinerant shoemaker and tailor, the blacksmith, the sawmill and the grist mill, the tanner and the hat factory. Each one processed or exchanged the products of others. But since the market and the custom of each was rather strictly limited as to locality, the various members of the community were easily integrated with the needs of the whole. Only a few products were bought from afar or shipped abroad. There was little occasion to make more than could be consumed, or to make less, no matter what the product. Foresight on the part of each specialist was both necessary and easy.

The inventor and improver of machinery, too, was exercising the faculty of planning and organization. He was given, by the environment and by the work of his predecessors, certain devices like wheels and levers, certain sources of power, certain mechanical principles. He

made new combinations of these, or improvements in the old ones. The objective was to do more work more easily. The ostensible motive may have been, in many cases, material gain. But the method was inevitably the better arrangement of existing materials and forces of production. By thinking far enough ahead, and establishing new routines in the handling of these factors, he could increase the wealth unit per labor unit.<sup>1</sup>

So it was with the organization of factories, of commercial houses, of canals and railroads, of means of communication. The growing technique of industrial life was a function of the planning and ordering faculty of man. It involved the coördination of materials and of persons to accomplish tasks which could not be accomplished with more primitive materials or by individuals.

Nothing is more natural to man than this faculty, whatever the "motive" which may be supposed to prompt him to exercise it. Man is rarely more at home than when he is so at work. And he is distinctly not comfortable when he is faced with a troublesome situation which he cannot so organize.

<sup>1</sup> James D. Mooney and Alan C. Reiley, in their book "Onward Industry," discern a close analogy between a machine and an industrial organization. A machine is, they say, a mechanical example of coördination of effort "The principle of leadership appears in that function of the machine which actuates all other functions, and, in a mechanical sense, delegates these functions. Even the mechanical equivalent of the staff principle appears in the safety valves on steam boilers, and the indicators of various kinds on many different machines, and often several on the same machine, all of which render an informative and advisory service. Of this the instrument board on an automobile is an excellent example."

This same faculty of man is, moreover, the one which admittedly produces the most far-reaching changes in his environment and his social customs. It is a truism that the widening of markets which accompanied the railroad, combined with the superior efficiency of production which arose from steam power in factories using machinery, was what destroyed the handicraft, the local mill, the self-contained community and the self-sustaining farm. It built many of the great cities, deprived others of importance, brought about agricultural specialization, widened the employer-employee relationship. Our present civilization is perhaps better described by calling it a machine or a technical civilization than a capitalist or a profit system. Desire for gain really existed long before the flowering of the industrial revolution. The institutions of privately owned capital and profit were characteristic of many earlier trading communities regardless of their primitive methods of production. The profit motive is not the sole determining cause of what we have today. Our civilization is built upon, and wedded to, machine technique. And that, in turn, is too narrow a term for what is really a faculty of planning and organization, applied, with the aid of the discoveries of science, to the production and exchange of goods. Though we ought to learn from the mistake made by the classical economist in attributing everything in the economic world to one trait, still we may, as a device to dramatize this idea, substitute for the "economic man" of the classical economist, the "organizing man."

Technical change did not begin with the industrial revolution, nor did it stop there. It has gone on with accelerated pace. So far, its possibilities seem to be boundless; every discovery and invention breeds ten new ones. And just as the fundamental changes of technique of a century ago remade the face of civilization and altered social customs, so the new changes are repeating the process and must continue to do so. This is why, when conservative-liberals talk about the régime of liberty and individual enterprise established by our colonial forefathers, they are talking about a phantom society, which never did exist precisely as they picture it, and only vestiges of which survive today. And this is also why, when the revolutionaries talk about the "capitalist system" as something which is essentially the same now as it was when Marx wrote about it, and as something which can be changed only by the accession to power of a submerged class, they are talking about an abstraction which omits most of the shape and color of the reality. The capitalism of today probably differs more from that of 1848 than the civilization of Soviet Russia differs from that of the capitalist United States. In the faculty of mankind which habitually so plans and organizes that technique is altered, we find the inevitable force of social evolution, the basic course of change.

The fact that the scientists and technicians do not now manage society, and do not produce the end-results which they seek, or might seek if they thought more about it, is not contradictory of this statement. Nor

does the fact that society as a whole is chaotic, and negates much of the beneficent possibility of the industrial organization which we have so far built up. The scientists and technicians do not monopolize the ordering faculty; for the most part they have concentrated their endeavors on highly specialized departments of its application. The faculty of planning and organization has not completed its job; it has scarcely begun that stage of its work which would be necessary if the world community were to operate in as sensible a manner as the early New England farming community. All we have said is that the same sort of habit which has been observed in the past ordering smaller areas and endeavors, planning, changing and improving them, can be counted upon to attempt to bring order out of the chaos of the new world community. This impulse is irrepressible; whatever obstacles or groups stand in its way are bound in the end to suffer for their obduracy. It will burst up through the crust of custom and eventually scatter any hampering traditions. The ideas and activities which it embodies have a universal appeal; its processes are those which the most active and intelligent delight to exercise in some realm or other. They will lend strength to any group, party or class which espouses them. It may be that these ideas and processes will be effectuated through democratic government, or by a violent revolution of the working class. But the trait of organizing, not the particular instrument of its accomplishment in any special case, constitutes the "prime mover" of social change.

Though the "organizing man" may give us the reliable force of change for which we are looking, and though the result of his activity may be, in a broad sense, an inevitable trend toward world order, still it is important not to rely upon him as an automatic force outside ourselves, or to rest in mystic assurance of "progress" that is undistinguishable from the shallow optimism of the pre-war liberals.

So obvious a fact as the organizing faculty has led to many studies of the phenomenon, from which it is possible to learn a great deal concerning the modes in which it may be expected to operate. The anthropologists, the psychologists, the students of politics and society, the management engineers have approached the subject from numerous points of view, and each has made valuable contributions. Study of the matter, like all social science, is far from complete; but we need not wait for completion of theory before acting on the best information we have. If we did, we should wait forever and not act at all, since action and theory must proceed hand in hand if either is to grow.

One of the first observations to be made is that social organization, even of a fairly complex nature, is a primitive human characteristic; anthropologists have encountered it everywhere and have portrayed it in large numbers of variants. It does not, in its more primitive forms, appear to be a reasoned activity. Nor is it, in these forms, highly flexible. Its preservation rests on habit and tradition; in turn it moulds the habits of the tribe or people who practice it. Each form of

organization has developed over a long period of time. It includes practices which appear to be the outcome of a process of adaptation to the environment; they have a biological value. It includes other practices which appear to have no material usefulness, but rather are aesthetic or religious in nature. It sometimes includes practices which appear to be biologically harmful. Anthropologists have been divided as to whether these cultures arose spontaneously or were learned by diffusion from common centers. But at least there is good reason to believe that imitation of other cultures has played a large part in cultural establishment and change.

Introduce an important new element into the habits of a primitive people, such as machinery, and the culture pattern adapts itself only with supreme difficulty to the new situation. Often the old culture pattern is destroyed; nothing equally organic takes its place; and the tribe in question degenerates, though retaining stubborn survivals of its old habits. The original pattern was not planned in its entirety; it arose slowly and rested on entrenched habits which were justified in the minds of the people who practised them, in so far as they were justified at all, by mystic or religious absolutes of belief. Hence the pattern could not readily be altered to cope with a drastic change in the environment.

Many survivals of primitive culture are found in modern organizations. Secret societies built about "mysteries" and proffering fancy costumes, plus the distinction of an assumed superiority or exclusiveness, go back to primitive origins. The gang in the city, which

starts with the grouping of boys about a leader and often ends by becoming a band of gunmen exploited by bootleggers, dope rings, politicians or racketeers, is an expression of the need for group action and leadership in a society which offers the city boys little other opportunity to satisfy this need.

One widely observed principle of social organization is that, whether or not a given group formally accepts the method of majority rule, its main activity centers about, and is carried on by, a minority. The minority may consist of a single leader or a relatively small number of persons. But here originate the driving force, the direction of activity, the formulation of concepts about which popular emotions center. The political machine which runs the government is such a minority. You will see the same process at work in any club, society or committee. The activities of trade unions are carried on by a few leaders and active members. In the world of ideas or letters, new schools or conceptions originate with one or a few persons, and gradually percolate to a wider audience. Successful revolutions invariably arise from the work of cohesive minorities, who are more active, intelligent and daring than the general public. Soviet Russia has made an accepted and disciplined institution of the political machine, by means of the Communist party, a carefully selected minority group whose boss is the real and acknowledged ruler of the country, and whose members provide the leadership in every locality and factory.

Successful leadership of course implies acceptance of



leadership on the part of the followers. It does not mean arbitrary rule enforced by penalties applied by the ruler. Leaders may employ such penalties, but unless the majority sanctions them in the interest of the group; the leader will not hold his power indefinitely. The principle of the leading minority does not imply autocracy in the ordinary sense; it simply means that every majority must have an active center about which to co-ordinate its work and ideas, if it is to be effective. Universal suffrage and the rule of the majority vote is, in essence, a formalization of the principle that the group must have a leader whom it is willing to follow. If it is understood to mean that leadership inheres in every individual of a group, and that the entire group must provide the direction and the ideas for itself, democracy is bound to be a tragic farce. Persons can be led; their activities can be coördinated; but they cannot be amalgamated, except on a plane of primitive and unintelligent impulse.

There is nothing more destructive than an undisciplined and undifferentiated crowd, acting on the highest common denominator of their several impulses—which is bound to be an exceedingly low denominator indeed. This does not mean that the members of the crowd are necessarily low fellows; it means that it is easier for them to give rein to their more primitive impulses under the stress of the mob spirit than to their reasoning faculty or their civilized inhibitions. Leaders who exploit the crowd by expressing nothing more than this highest common denominator, who adopt

the easy way of following the crowd along the lines of least resistance, are the enemies of any fruitful principle of organization. Recognition of this truth is the source of the contempt in which are held such phases of crowd action as lynching mobs, self-seeking demagogues, or even the success accorded to "popular" and insincere forms of literature, art or advertising which flatter and deceive the crowd for the quick material advantage of some minority. It is a good rule of thumb that a first-class novelist, playwright, scientist, philosopher or social innovator does not find prompt acceptance with the majority. He is usually first understood and appreciated by a minority, and his reputation grows through their influence. In the end, however, he may provide far more profound and enduring satisfactions for people in general than some person who has the trick of attracting facile popularity.

A discerning observation is that as man's organizing faculty proceeds, its effect becomes more far-reaching. In its simpler forms, the development of technique may be conceived principally as a process of adapting human beings to their natural environment. Primitive man slowly changes his habits, his ways of working and fighting, in order to be more sure of getting food, clothing, shelter, ornament and dominance over his enemies. But as technique develops it begins to change the environment itself. Man may kill off game. He may cut down forests. He may deplete the fertility of virgin soil. He may exhaust mineral resources. He may

protect human life so well against enemies or disease that over-population ensues. Most striking of all are the tremendous changes in environment brought by mechanical power and machinery, and the organized activities which have sprung up to employ them. Within a few generations the face of the world, and the type of problems with which man must deal, have been radically altered. Not only does the organizing faculty change the environment, but it appears to change it at constantly accelerated pace. Whereas earlier generations had centuries in which to adapt themselves to changes by slowly accreting or discarding habits, we have only decades.

It is clear that the organizing faculty usually produces not only foreseen, intended changes but unforeseen, unintended changes. The intended changes appear to be advantageous: a railroad furnishes quicker transportation for longer distances; a new machine does more work with less labor. The unintended changes may be extremely troublesome: the railroad leads to over-concentrated metropolitan populations and slums; the machine produces unemployment. Automobiles not only furnish mobility to normal transport and travel, they also congest city streets, influence sexual habits among the young, and provide a ready means of escape for criminals. We deliberately adapt our habits as far as is necessary to produce the intended changes, but we usually do not adapt our habits readily to cope with the unintended changes. These come upon us as if some god had decreed them; we tend to regard them as a manifes-

tation of fate, and to hold as closely as we can to our old cultural pattern by way of defence against them.

This phenomenon has been given, by Professor W. F. Ogburn, the apt name of "the cultural lag." Developing technique and inventions rapidly produce a new environment; but the culture pattern fails to keep pace with technical change. It is bound by tradition, habit and taboo; in this respect we are like the primitive races studied by the anthropologists. The vested interests of old or particularistic organized groups stand in the way of adaptation. The disparity between our old habits and the new environment creates increasing discomfort and danger; social strain is observable on every hand. Eventually readjustment of some sort comes. In the end it is usually the old culture pattern that breaks down rather than use of the new technique. Culture then changes by a sudden jump. This is what happens on a large scale when a social revolution occurs. It may also happen on a smaller scale or by a less violent change.

Another useful way to consider the effect of developing technique is to understand the change of scope which it presents to the organizing faculty. While handicrafts persist, the unit of production remains small, and hence small-scale organization is appropriate to deal with it, as on the self-sustaining farm or in the primitive tribe. But when machinery is invented, it makes the original process automatic. The organization inherent in the machine takes care, once and for all, of the coördination which formerly had to be exercised by human beings

every time the operation was performed. The automatic reaper replaced the hand-swung scythe and the rake. The automatic loom does the work of the old skilled hand-weaver. And as machinery develops, it coördinates whole series of what used to be separate machine operations. The "combine" not only reaps but threshes automatically, turning out separately the grain and the straw. The machines in series, such as those which may be found in steel mills, perform a whole train of operations without the intervention of a human hand, except that of the man at the levers and the buttons. Thus attention is released from the details of the automatized processes. At the same time, however, there arises a necessity of coördinating the automatized processes with one another. The combine makes economical the giant wheat farm. The machines, and especially the machines in series, make necessary the substitution of the great factory or mill for the old shop. These large units must be organized. Furthermore, transportation, combined with large-scale production, has broadened markets and specialized all sorts of functions among widely separated establishments. The attention of organizers, once they have learned how a single factory or mill may be efficiently operated, is attracted to the organization of series and combinations of factories, to large financial matters, to the conditions of world-wide markets. The field wherein organization is necessary increases in area and complexity as organization reduces to automatic and learned habits the smaller tasks.

A final observation must be made before we con-

centrate these various beams of understanding on our central problem. In its primitive forms, organization of materials and men appears to be almost an unconscious activity. It arises by the slow growth and change of habits. Minor variations occur, either by chance, or by the ingenuity of an individual applied to a detail, or by the imitation of a practice found in another group. Culture patterns are passed on from generation to generation. Those habits which tend to increase the opportunity of survival for the group tend, by and large, to persist. Thus the process is virtually one of natural selection. This is sufficient when change of the environment is slow. But with the development of technique and the more rapid alteration of environment, there arises a more reasoned and conscious art of organization. It employs foresight and experiment. It attempts to outline a dependable science as a guide to its activities. This reasoned effort, this deliberate application of tested principles of organization, is the means by which man may cope with the exceedingly rapid changes accompanying the maturity of the machine age. And it must be applied to the whole array of changes produced by new techniques. We must inquire, not merely what are the intended changes brought by a new device, but what may be the unintended changes. The area of the unforeseen must be restricted as narrowly as possible. Foresight must be employed in the interest of control and adaptation. This foresight and control is the instrument with which we may reduce the cultural lag. It is the embodiment of intelligence and will. It is the

enemy of the vague, the complacent, the superstitious, the inert.

The application of conscious organization to a limited realm of endeavor is illustrated by the school of management engineering which in the United States was formally inaugurated by Frederick W. Taylor and is now called Scientific Management. It broke through, by means of intelligent analysis and careful measurement, the crust of custom which had grown up in manufacturing establishments. Naturally enough, its first point of attack was the job of the individual worker. Was he doing it in the best possible way? Did he have the best possible tool or machine? What time ought he to take in each operation? Repeated observations and experiments, called "time and motion study," discovered the most efficient methods of work and established the tasks which ought to be expected if the job were done in this way. Jobs were carefully analysed and responsibilities were fixed. The story of how this enabled great increases of output and eliminated wastes is an old one.

Naturally enough, the workers, not understanding the object of the study, and fearing that it was simply a method of making them work harder without increased rewards, at first opposed it as a way of making machines out of men, a new device of exploitation, an insult to human dignity. The scientific managers learned that without the coöperation of the workers, their best efforts were largely ineffective. In some cases they were enabled to gain this coöperation by convincing the

workers that they could expect to share the benefits of increased efficiency. In many cases the stupidity of employers, or the competitive forces outside the single establishment, prevented any such assurance, and the work of intelligent management was vitiated at the first step.

Scientific management did not have to go far before it discovered that its task was not to centralize authority, not to bend the wills of many to the will of one, but to coördinate the activities of all concerned in a way dictated by the requirements of the situation. The final authority was not the human boss, but the nature of machine industry. And scientific management assumed that the purpose of machine industry was to produce as much as possible with as little effort as possible. It assumed that everyone concerned would have a mutual interest in achieving this objective, and hence that the essential coöperation in an ordered and scientific method of production could be achieved. Since these assumptions were not entirely valid, under the business régime, scientific management has been unable to fulfill anything like its full ambition.

From the individual worker, the engineers went on to coördination of the several departments of the plant. They elaborated procedures for seeing that materials and semi-finished products flowed along the shortest possible routes, and in correct quantities so that blockades would not occur. They attended to the proper methods of hiring and firing, the intelligent selection and treatment of personnel. They eliminated organizational



wastes of many sorts. They devised apt systems of cost finding and accounting control. They developed the distinction between the "line" function of executive responsibility and the "staff" functions of research, planning and communication. They turned their attention, not merely to production, but to purchasing and selling. They worked out methods of administration for large industrial organizations having many units, so that their parts could be harmonious. They discovered which activities must be centrally controlled, and which must be decentralized in order to avoid bureaucratic stagnation. These are merely samples of the application of reason and foresight to the problems of industrial organization. While there are only a few establishments in the United States, or in the world, which are thoroughly well organized from the point of view of the more advanced scientific manager, the indirect influence of scientific management in transforming industry everywhere has been tremendous. In spite of the prejudices, conventions and stubborn habits which have obstructed these experts at every turn, reason has had a signal success in adapting the internal organization of single establishments and companies to the inherent necessities of the machine technique.

The principles underlying the practice of scientific management were recently generalized by Dr. H. S. Person, Managing Director of the Taylor Society, as follows:

- a. Research in its various forms—the basic approach to a solution of the multiple problems of management;

b. Standardization—the specification of purposes, policies, plans, projects, facilities and methods, as the relatively constant factors in terms of which plans may be made and their execution directed, measured and appraised;

c. Planning and control—the organization and direction of the application of facilities along predetermined lines for accomplishment of purposes, policies, plans and projects;

d. Coöperation—recognition and acceptance of the laws governing managerial situations discovered by research, formulated in standards and utilized in planning and control.

Thorstein Veblen was the first to point out, in his “Engineers and the Price System,” that this sort of activity is in fatal and fundamental opposition to the natural disposition of business, if we distinguish business from industry. It is often used to serve business purposes, to be sure, but the type of action is essentially different. The engineer strives to eliminate guesswork in the interest of predictability. He thus reduces risk and is the enemy of that very speculation from which business often derives its biggest profits. The engineer is interested in more production, whereas the business man often is impelled to limit production for the sake of profits—just as the worker does so in the interest of the security of his job. This “conscientious withdrawal of efficiency,” which is common to both worker and business man under an individualistic system, is pre-

cisely what the engineer is striving to abolish. The engineering technique cannot find its full fruition under a competitive business order, and consequently, thought Veblen, the engineers, in their effort to develop a scientific, rational and useful industry, will find themselves in opposition to the business régime. He expected that labor would also oppose that régime in its own interest, and that these two forces would unite to further a revolution.

This expectation has, for the time being, been disappointed. Many an engineer has been more business man than technician, and many an engineer, finding his employment and advancement dependent on the favor of business, has failed to do anything more than serve his masters' interests. And it does not follow, because a man has learned how to build a bridge or operate a mine, that he will be impelled to apply, or knows how to apply, similar coördinating efforts to our economy as a whole. Nevertheless, Veblen was right that the sort of ideas embodied in good engineering practice are opposed to the chaos of competitive private enterprise. As more and more people—both engineers and others—come to understand this fact, and as they see the inherent superiority of the engineering approach, the traditional business way of doing things is bound to lose its popularity. We are likely to have a revolution in ideas before we have any great change in practice. The idea of organization—of research, planning, coöperation—will be recognized as the way of salvation for industrial society.

The Taylor Society in the winter of 1930 held a discussion of certain propositions drawn up by its Managing Director, Dr. H. S. Person. These propositions were not set forth as the final conclusions either of the Society or of Dr. Person; but they were an admirable condensation of what many engineers were thinking and saying. They set forth that "The operations of industrial society are not yielding substantial good to the greatest number of industrial citizens. This is because these operations are not . . . organized with that end in view." More particularly, it is "because of an inconsistency between the basic principle of business enterprise—*individual self-interest and intuition*—and the basic principle of the production technology which that enterprise, without full appreciation of its influence, has come to use—*coöperative integration*." Failure to extend the latter principle is what causes dislocations of industrial processes, unemployment and the halt in our progress. This type of observation, the memorandum continues, is not new; better organized societies have many times been proposed. But the suggested utopias have not been in accord with the possibilities presented by the technologies of their times. What is new in the present is "industrial technology, which has undergone great and rapid change during the past half century." New principles of organization and control of individual enterprises have been invented and tested. "If these were applied to the organization and control of industrial society, conceived as an organic whole, many and perhaps most of the forces which now cause periodic

dislocations and distress in industrial life would be eliminated."

Although an individual enterprise may be stabilized in its internal adjustments, "the internal stability of an enterprise established by scientific management is frequently nullified by the impact of forces of the industrial environment outside the control of management." There is an increasing interdependence among "individuals, enterprises and groups. These organic inter-relationships are so intricate and delicate in their adjustments as to expose the industrial organism at any one of numerous points to maladjustment which is reflected all along the line of inter-relationships."

The main reason for these maladjustments is that the task of adjustment among industrial units and groups is left to "the chance composite influence of a vast number of enterprises motivated by individual gain in competitive activities, limited in their perception of relationships and the organic consequences of their activities, and on the whole dependent upon intuition for their decisions as to purpose and method." This is the engineer's description of what the traditional economist flatteringly calls "natural economic forces." The established social mechanisms on which industry is dependent, like currency and credit, are likewise uncoördinated.

The obvious conclusions are, that the problem must be recognized, that an industrial self-government must be created, which will involve "greater limitation to individual freedom in business activities than is at present

assumed to be desirable," and that the principles of scientific management developed in individual enterprises must be applied "to industry conceived as one vast enterprise in which all members of industrial society are workers and share-holders in common."

Thus does the organizing man extend his ideas to grapple with the confusion of an unmanaged economy. What is here said by the engineer in careful and abstract form is being said every day in some way or other by people in every stage of society. In many places there is recognition of the disparity between the marvelous efficiency of industrial technique and the clumsy, destructive behavior of economic society as a whole. Why is there too much wheat while people go hungry? Why, if we have learned to perform such marvels of production, need anybody be unemployed or poor? What is the matter with the way we use our machines? The idea arises so logically out of the situation that it is bound to become a leading idea; it has a natural contagion. And what gives it the ring of reality, in contradistinction to former utopian proposals, is, as Dr. Person shrewdly observed, that now we have the necessary technique; we have seen and proved on a small scale what it can do.

It is not here implied that the management engineers will at once be employed to organize economic society as "one vast enterprise," or that industry will create the necessary self-government so to employ them. We are now in the stage of social change where the old habit pattern is trying to maintain itself, we are in the

depth of a cultural lag. Vested interests and particularistic organizations which are in the more advantageous positions can be counted upon to oppose change. Those engineers and others who see the necessity of organization on a wider scale constitute the minority who first sense the validity of a new idea, and through whose influence it may be expected to spread. They are not in a position of actual power; their leadership so far is only moral and intellectual; it is likely to remain so for a good while to come. But it is through the spreading of such basic and leading ideas that shifts in power begin. Revolutions in ideas almost invariably precede great changes in actual social organization just as changes in environment precede revolutions in ideas. Popular faith in the old way of doing things fades; stubbornly conservative leaders and outworn institutions lose their prestige; the leaders of thought shift their loyalties.

No social order is so strong that it can stand forever unchanged when the forces of human evolution are against it, just as no basic change is easy, prompt, and readily predictable as to its time and methods. But the strength of the conception of planning and organization, as differentiated from that, for instance, of the revolutionary class struggle, is that it can permeate all orders of society and win loyalty from the more intelligent of the dissatisfied everywhere. It can utilize whatever forces of protest exist. It provides that ferment within the citadel of the old order which is just as necessary as the siege from without. Whether it will eventually center about a new political party, or a more radical faction of

industrial leaders, or a strong labor movement, or a group of proletarian revolutionaries, is uncertain. Whether it will establish itself in practice by a sudden, violent overturn, or by a longer process of trial and error, with minor strains and dislocations, we cannot say. Doubtless the process will vary in different parts of the world. For the present, the idea is its own best weapon, to be cast forth and seized by any one who wants to wield it. The idea struggle will, at least in the immediate future, probably have more importance than the class struggle. The class struggle gives evidence of the strain of dislocation at one of its most important points, but the idea struggle saps the prestige of the hampering cultural pattern itself, and provides the new faith about which constructive effort must eventually center. We can count on the organizing disposition of mankind eventually to create economic order.



## CHAPTER VI

### A NATION WALKING BACKWARDS

For one hundred and fifty years the eyes of the American people have been fixed on the manifestoes appropriate to a time when an infant capitalism was freeing itself from the womb of feudal aristocracy, declarations enthusiastically taken up by leaders in our own pioneer, agricultural and revolutionary land. So preoccupied, we have walked backward for a century and a half into a civilization of railroads, mass production, far-flung kilowatts, multi-storied buildings, automobiles, radio, centralized banking, nation-wide and world-wide markets. As we have walked, we have frequently stumbled and cracked our skulls. Fumbling behind our backs, we have invented all sorts of devices to surmount particular obstacles. The principles which our eyes have enshrined emphasize such things as the right and freedom of individuals to do as they please, particularly in economic affairs, complete separation between government and economic enterprise, and the least possible government altogether. But the country we have backed into is characterized by the close dependence of individuals on one another and on groups, and by rapidly expanding government. The devices we have improvised in order to deal with it consist of controls of all sorts,

which are meant to restrict, in one field or another, planless freedom.

The distance between liberal-democratic slogans and the sort of world we now have is a commonplace, but it is not so commonly understood how many controls we have been forced to set up. We stumbled over cut-throat competition and graft in railroads, and created the Interstate Commerce Commission. We fell over money panics, and built the Federal Reserve System. We ran into monopolistic dominance, and experimented with the Federal Trade Commission. We dropped into the valley of agricultural depression, and created the Federal Farm Board. We got caught in traffic and penned in narrow houses, and began to zone, to plan cities and regions. Non-governmental controls of all sorts, too, have come—mergers, trade associations, cartels. No sooner do the bankers denounce “artificial” schemes to maintain prices as a cause of depression than they start a new one, in sugar. These are merely examples of hundreds of existing controls. (I have not forgotten the tariff—a block to freedom of trade dear to the hearts of business men who eloquently object to governmental interference with economic affairs.)

Each of these agencies has been conceived much as if the situation with which it has to deal were an isolated and accidental phenomenon. We cling to our old slogans in general, while we throw out a new control in particular as a concession to exigency. On principle, we have done no more controlling than was absolutely necessary. We grouse at the multiplicity of boards, and immediately set

up another. We do this, not because we want to do it, but because we have to. The controls, in many cases, work badly. But do we abolish them? Almost never. When we investigate the reasons for their faulty operation, we have to give them more plan and more power. And, having done this, we declaim the bill of rights and pretend that the country behind us, into which we are retrogressing by force of circumstances, is at least about to offer easy walking for unguided feet.

The faults of our governmental agencies are not due mainly to the usual defects charged against activities carried on by the State—bureaucracy, red tape, inefficient personnel, graft, political interference. These things sometimes are discovered, to be sure, but the great body of useful and devoted work done by governmental employees, though it is undramatic and does not get into the headlines, far overbalances the occasional abuse. Graft and favoritism are found in private business, as they are in public. The usual employee of the government, which does not depend on the profit motive, is probably as intelligent and conscientious as the usual employee of the profit-seeking enterprise. In neither case is he, or can he be, personally stimulated by the desire for profit. Almost anyone who has come into contact with the expert permanent staffs at Washington will testify that they measure up to a high average of competence.

I once interrogated an intelligent executive concerning the supposedly evil effect of governmental bureau-

cracy. He is a recognized expert in scientific management, and the successful proprietor of a private business. At the time he was temporarily occupying a high executive position in a service department of the Federal Government. He said that he could find no inherent difference in efficiency between a large governmental and a large private organization. Large organizations of any sort were, to be sure, more difficult to manage than small ones. They tended to develop deadening routine and red tape; that was a characteristic which must be guarded against. But he could not see that there was any more of it in the Post Office, for instance, than in a great railroad. In both cases, too, one had to look out for appointments or promotions dictated by favoritism or influence rather than by merit. And he could not recognize any essential difference between the hampering influence exerted over public executives by a political Congress and that exerted over private executives by boards of directors, bankers or other non-operating and often self-seeking interests. In either case, the only remedy lay in proper leadership and good administrative technique.

Interstate Commerce Commissioner Joseph B. Eastman, a public servant of long standing with a high reputation for candor, ability and integrity, said in an address to the National Association of Railroad and Utilities Commissioners in 1926:

My observation of the public service . . . is that with all the defects of that service, and there are many of them and some scandals just as there are in private business, the true

story of its accomplishments would disclose an astonishing and magnificent net balance on the credit side. Passing over such commonplace matters as public education extending from the kindergarten to the State University, police and fire protection, public health and sanitation, and the construction, maintenance and lighting of streets, highways and parks, an amazingly good record of public benefit could be shown, I believe, in those branches of the public service whose work is not so close to the public eye. If an advertising agency of the calibre of that which serves the Bell Telephone system were given the job of exploiting the accomplishments of the scientists and engineers of the Federal Government in the fields of agricultural research, irrigation, forestry, standards, the geological survey and the like, I believe that agency would be bewildered by the multitude and magnitude of its opportunity.

Consider for a moment the work of the Post Office Department, which is frequently cited as a horrible example by the opponents of governmental enterprise, because it has recently been accumulating a deficit. The reasons for the deficit have nothing to do with the efficiency of the Department's operation, or the devotion of its personnel. They are entirely due to burdens imposed on it by Congress. Postal rates, with a few minor exceptions, have not been increased since before the War, although the prices of virtually everything else have gone up. It has been convincingly demonstrated by the organizations of postal employees that if average rates for mail had been increased as much even as average wholesale prices, or as much as railroad rates, the Department would have been enjoying a tremendous surplus. Furthermore, the postal service is forced to

subsidize shipping by a bonus to American-owned ships; it must carry Congressmen's mail, the tremendous mass of official mail, religious and other types of favored periodicals, free or at a loss. These are matters determined by the policy of our elected representatives; they are not inherent in public operation. On the other hand, consider the service the Post Office renders—carrying letters with amazing promptness and a minimum of error to every nook and corner of the country, acting as a parcel express agency, collecting savings, transmitting money. What public utility gives less cause for complaint as to its service? Mail carrying is one of the greatest businesses in the nation; even the most vehement exponent of the theory that government is not in business and should not undertake it never suggests that this service ought to be transferred to private hands. We take this government enterprise for granted simply because it is of such long standing. Here is one important instance in which the accepted practice does not square with the conventional theory.

Likewise the state has gone extensively into many other varieties of production. The federal government is the largest single purchaser in the country; its construction activities, plus those of the states, counties and municipalities, normally add up to over \$3,500,000,000 a year. This is between 35 and 40 percent of the total construction of the nation. Government production includes roads, buildings of all kinds, dams, power plants, river and harbor improvements, ships, and an enormous variety of articles made in the navy yards and arsenals.

The question whether the government ought to go into business is fantastic; it is in business, and to such an extent that its economic activities profoundly affect the state of the nation, whether it is considered as consumer of other products, an employer, a purveyor of goods and services, a fixer of prices for the things it sells, or a collector of taxes to pay for the things it provides "free."

These tremendous activities of government did not result from liberal or any other theories; they arose little by little over many years because of specific needs and specific choices.

Another unplanned step into governmental control of economic affairs has been the tremendous development of the information published by the government—information much of which was formerly regarded as private property, or information which, though it would be essential as a guide to a calculated national economic policy, was, it was formerly thought, impossible to compile. One of the chief arguments against socialism used to be that it would require far more in the way of current facts than could ever be accumulated. Yet now we take the public possession of these facts as a matter of course. They have been gathered, however, not out of any desire to approach socialism, but because interests of many kinds have demanded them. The trend of wholesale and retail prices, production, stocks on hand, and unfilled orders for many commodities, the volume of trade, the distribution of corporate and individual income (within the income tax range), foreign commerce in dollars and in quantities, the size and value of crops,

the probable plantings and estimates of future crops, railroad operating and financial figures, banking statistics of all kinds, the number employed in manufacturing, and so on almost *ad infinitum*—such figures are provided or purveyed by dozens of governmental agencies. There are still many gaps in these figures, but the quantity is already bewildering, unrelated as the figures are to any attempt to form an integrated picture of our economic life. Information does not necessarily constitute control, but it facilitates informed action, in cases where there is any authority competent to act.

Laissez-faire is not only dead in so far as it preaches that government must be nothing more than a policeman; it is also dead in so far as it preaches that government must exercise very little even of police power over private industry. Theory or no theory, we have been forced to undertake regulation of great areas of economic life. The trouble is, not that government has undertaken regulative activities, or that regulation is incompetently or dishonestly performed, but that partial and external supervision of privately managed and competitive industry is an awkward method of control. It is spotty and left-handedly devised; it leaves the initiative with the regulated enterprises, and acts, if at all, only after the fact; it is not knit into any organic plan. We cannot do without it, but it is not sufficient to achieve real management of our economy.

The Interstate Commerce Commission, conceded to be the most able and experienced of our regulatory



bodies, is a case in point. It was created, in the first place, to remedy the disastrous confusion of our rail transportation system caused by cut-throat rate wars, speculative financing, secret rebates to large or interested shippers, and the self-obstructing attempts to deal with these abuses on the part of separate states. Little by little it hammered some order out of this chaos, gained additional powers, and established its authority in the courts. Nevertheless it is involved in constant absurdity and ineffectuality by the very nature of its task.

Take the job of establishing rates. The Commission does not decide, in an administrative capacity, what the rates ought to be in reference to the costs of providing service on the one hand and the need of the country for low-cost transportation on the other. It does not build up a coördinated rate structure with reference to the desirable economic development of the nation and its several parts. These considerations of course are discussed, but they are brought in incidentally, and in a piece-meal fashion, whenever the railroads themselves or shippers want to change particular rates for some reason or other.

Rate controversies often resolve themselves into a debate about what will provide a "fair return" on the "value" of the privately owned railroad properties. What is the value of a railroad? Ordinarily, the value of a thing is determined by what it will sell for. And the value of a piece of productive property is determined by what its product will sell for. But, in the case of a railroad, that is largely determined by the rates charged.

And the Commission is supposed to regulate rates. In the ordinary economic sense, it cannot set rates without affecting the value of the property. The attempt to find the value as a basis for rate-setting thus leads to circular reasoning. You can go round and round from rates to value and back again without finding a stopping point. It has therefore been necessary to discover some arbitrary method of defining the value, and to justify it by some lego-logical hocus-pocus. One school believes in taking as a rate base the original cost of the property. Another believes in taking the present cost of reproducing it. If prices go up or down, as they do, it makes a good deal of difference which of these bases is accepted. The railroads habitually contend for whatever theory will bring the higher value. The Supreme Court has decided that these and other factors must all be considered, without specifying how much consideration must be given to each. This controversy has continued for years without being settled. The whole difficulty is caused by the judicial interpretation given to the libertarian provision in our Constitutional bill of rights that no one can be deprived of his property without due process of law. That is what necessitates, in the opinion of the courts, setting rates which will provide a "fair return" on the "value"—otherwise, the railroads would be deprived of their property. Logically this controversy has nothing whatever to do with running the railroads as an efficiently operating function of an integrated national economy. Practically, its outcome may either promote or prevent that desirable objective. We have

backed into railroad control without providing a coördinated setting of national purpose for this control.

The history of railroad consolidation is equally absurd. After the war it was felt, as a result of the experience we had had of the superior efficiency of operating the railroads as a unit for war purposes, that their organization must somehow be improved. The obvious thing to do was to unify their management under public supervision. But the whole trend of prejudice and private interest opposed this course. The substitute proposal was to consolidate them into larger, but still competing units, and to recapture a part of the excess profits of the more prosperous roads in order to have something to loan to the weaker companies. The Interstate Commerce Commission was supposed to draft a plan of consolidation, and then to approve those consolidations which harmonized with the plan. What happened? The Commission drafted a plan, which encountered so many objections that it was never adopted. Numerous railroad combinations took place, not in accord with this or any other plan, and not sanctioned by the Commission, through the indirect methods of stock purchase and holding companies. Various railroad interests contended with one another for the plums. Ten years after the consolidation idea was enacted into law the major systems still could not agree with one another as to what particular consolidations should be made. Eventually they did so, but it is still uncertain whether the particular groupings agreed upon will measurably increase efficiency. As for recapture of

excess profits, it was fought to the last ditch by the companies and eventually the Commission itself asked Congress to repeal this section of the law. You had to know what percentage of profit a railroad was making in order to know what to recapture; you had to know its value in order to know what percentage of profit it was making, and this opened the way to such a stubborn conflict about methods of valuation that the Commission decided the game was not worth the candle.

During the depression of 1930, when the prices of everything else were dropping, the railroads asked for an increase in rates to recoup the losses caused by the falling away of traffic. It was natural to inquire whether such an increase might be avoided by more efficient operation. More efficient operation would mean better coöperation among the roads. Commissioner Joseph B. Eastman in a public statement said:

It has occurred to me that the Association of Railway Executives is a relatively ineffective organization in many respects because it is made up of a large number of strong-minded and strong-willed individuals, each accustomed to dominate and each primarily interested in the welfare of his own particular property. It is difficult for such an organization to work as a unit for a common end.

The lesson of all this is plain enough. Objectives are not defined. The railroads have one set of purposes, the regulators another. The business of running the railroads is not coördinated in itself. Nor is it related to our economy as a whole. Commissioner Eastman's judgment, confirmed by his years on the Commission, is that

“government should assume complete responsibility for such business as is now under an elaborate system of public regulation, under which it divides responsibility and control at present with private enterprise.”

An even less successful attempt at regulation has been concerned with preventing or breaking up monopoly. The first federal anti-monopoly act, usually known as the Sherman anti-trust law, did result in the successful prosecution and dissolution of a few “trusts.” But of course it has not stopped the growth of big business. Decisions of the Supreme Court have established the principle that mere size or scope of operations does not violate the law. The United States Steel Corporation was not dissolved, in spite of the fact that at the time of the suit against it, it controlled about half the steel business of the country, and a considerably larger proportion of certain special markets, like that for steel rails. The United Shoe Machinery Company was not dissolved, in spite of the fact that it had acquired control of over 90 percent of the shoe machinery output in the country.

The Supreme Court decided that unlawful monopoly was not a matter of size or power to control, but a matter of the abuse of that size or power. As long as a big company did not practise unfair competition or attempt to maintain unreasonably high prices, but kept its position by superior efficiency, it was within the law.

This is the famous “rule of reason,” which attempted to interpret the edict of Congress against “restraint of

trade" by saying that what was really prohibited was not restraint in itself, but unreasonable restraint. As an abstract principle, this is all very well, but in concrete cases, it is not capable of precise application. Exactly what is "unfair competition"? What are unreasonable prices? If the prices of smaller competitors are, on the average, about the same as that of a dominant concern, does that prove that the prices are reasonable? Or does it prove that the smaller competitors, for fear of the superior resources of their big rivals, which would be bound to win in a price war carried to the death, are compelled to observe a community of interest in high prices? What is efficiency, as distinguished from trade monopoly? There are no objective standards to be applied.

The Clayton Act and the law establishing the Federal Trade Commission were passed in an attempt to work a way out of this confusion. The Clayton Act forbids mergers by the purchase of stock, when such mergers would substantially lessen competition. But there is no law to prevent one company from buying the physical assets of others, as distinguished from buying their stock. And there is no law preventing a company from growing to a dominating position by numerous methods of obtaining pre-eminence in the market, such as acquisition of necessary sources of raw materials, or exploitation of patent rights. In some fields competition naturally survives because the resources are abundant and difficult to monopolize, as in coal or agriculture, or because the essential capital investment is small, as in clothing

manufacture. But in other industries the natural tendency, if not toward monopoly, is at least toward the extremely large concern, because the necessary equipment is heavily expensive and operations have to be carried out on an immense scale, or because technical competence to carry it on is not widespread.

The Federal Trade Commission was supposed, among other things, to prevent "unfair methods of competition." The idea was that if a company could grow without the use of these methods, it would grow only on account of its efficiency. But the preventing of "unfair methods of competition" has in effect had little to do with the monopoly problem. It has largely been devoted to policing trade practices such as misbranding or inaccurate representation of products—an activity of some importance to consumers, but of little relevance to the enforcement of competition. Furthermore, the uncertainty and confusion caused by the fact that responsibility for administering the anti-trust laws was divided between the Federal Trade Commission and the Department of Justice, and by the fact that both are subject to the review of the courts, has left this arm of regulation in an almost hopeless muddle.

The result is that we have a totally irrational situation. A few industries are controlled by virtual monopolies. In others, there are few enough and powerful enough concerns so that production is restricted and prices are controlled, not by the illegal explicit agreement to do so, but by the tacit understanding of a community of interest. In many industries where the dominance of the

large concern is more difficult to achieve, trade associations composed of competitors have been formed which can help by compiling and publishing many kinds of information, but which have not the right to fix production and prices in the way that is perfectly natural, normal and legal to the single concern dominating a given market. In still other industries, there is no effective organization of any sort, and cut-throat competition promotes such inefficiency and leads to such misery on the part of the workers that the practical social problem appears to be, not to prevent monopoly, but to devise ways of achieving it. Bituminous coal-mining is an example. The dogma that government can protect the consumer against private greed merely by exercising the negative control of enforcing competition simply has not worked. In some cases we have not been able to enforce competition. In other cases competition has survived without any effort to enforce it, much to the detriment of the competitors, their employees, and, in indirect ways, of the public.

A paper in the March 1931, number of *The American Economic Review*, by Gardiner C. Means, based upon extensive research under the auspices of the Columbia Social Science Research Council, shows that small business is becoming less important every day. Everybody realizes that this is the era of the big corporation, but few understand how rapid the process of integration has been.

Without going into the technical details, it is possible



to report Mr. Means's main findings as follows. Two hundred corporations, each with assets of over \$85,000,000 in 1927 directly controlled over 44 percent of the assets of all non-financial corporations in the country, numbering 302,993. These same two hundred corporations probably received well over 40 percent of the total corporate income. They probably controlled over 35 percent of the total business wealth, if we include unincorporated business as well. They even had between 15 and 25 percent of the total wealth in the nation, taking account of such things as farm land and improvements, residential land and houses, personal property, automobiles and all the property of governmental units.

Not only is this true, but the two hundred big concerns have been growing much more rapidly than the medium-seized and little ones. Between 1909 and 1927 their assets increased at the rate of 5.3 percent a year, while the assets of the other hundreds of thousands of corporations grew at the rate of 2 percent. During the latter part of this period, or between 1924 and 1927, the two hundred largest companies grew 7.3 percent a year, while the rest grew at the rate of 2.3 percent. The growth of the giant concerns was between two and three times as fast as that of all other non-financial corporations; it was still faster than the growth of all other business wealth and of the national wealth as a whole. The tendency undoubtedly continued, if indeed it was not intensified, after 1927.

This growth was not, as would superficially be sup-

posed, the result principally of mergers. It came also from a predominance in corporate saving and in the issuance of securities. The giants saved and reinvested a larger proportion of their incomes than did the smaller concerns. They received the proceeds of between 65 and 75 percent of all the publicly marketed corporate securities issued for the purpose of raising new capital. More than half of the gain in wealth of the two hundred largest corporations between 1922 and 1927 came from the issuance of securities, about a quarter from their own savings, and about a quarter from mergers with or among smaller companies.

The huge unit must now be thought of as the typical or representative firm in numerous industries, and certainly as the dominant type. Competition, of course, still exists, but its nature is radically changed. When two, three, or a half-dozen concerns, rather than thousands, dominate a market, the competitive stimuli and the forces of demand and supply must have quite different results. Both the impulse toward control and the possibility of it become greatly enhanced. "An increasing proportion of production," writes Mr. Means, "is carried on for use and not for sale"—that is, a larger proportion of goods is used by the producing organization itself in the process of making further goods. And a large section of industry "is carried on under the ultimate control of a handful of individuals." Less than two thousand men were directors of the two hundred large corporations in 1927, and of these many were inactive. If a few hundred men wanted to do so, and

knew how, they could effectively plan almost half of our productive activity.

The fact that legal concentration of control exists does not, of course, mean that this control is being utilized for socially desirable ends, or even that it is organized on the basis of any conception of general planning at all. While planning is practised as an interior technical necessity of single companies, those who direct the policies of these companies toward the outside world are still imbued chiefly with individualistic, acquisitive and competitive ideas. While they may have the power to bring order out of economic chaos, that chaos still exists. But it is no longer possible to say that everything which happens to us is the outcome of the behavior of an immense number of uncontrollable units operating under a series of impersonal "economic laws." Our fate is more and more the result of conscious choices on the part of relatively few—or of failure on the part of these few to exercise choice.

The battle for an individualistic, laissez-faire economy, self-regulated by competition, is definitely lost. Unless we make that fact the basis of our political and economic thinking, we shall be headed in the wrong direction.

Occasionally an economist will attribute our troubles to the fact that free competition has been so much restricted in some industries, while other industries have perforce remained competitive. If there were no more restriction of production in steel, copper or aluminum,

it is said, than there is in coal or wheat, nothing would be overproduced, because human wants are limitless and products are exchanged for one another. It is only when a scarcity in a single product or a few products is created that the producers of the other goods suffer. Overproduction is relative only. The economist in question will therefore advocate a return to competition all along the line. Behind this position there is an important truth. If you imagine every industry organized to restrict production, and every industry doing so in order to maintain a price-advantage over other industries, you imagine a total decrease of production and a consequent scarcity of all goods necessary to maintain or improve the standard of living.

Nevertheless, the advice to restore competition is not helpful. No more utopian or impractical proposal was ever made by the wildest revolutionary than to try, in spite of the development of machine technology and modern economic institutions, to make all industries as competitive as agriculture or coal mining. The attempt which we have formally made to force a living economy into the conceptual form approved by Adam Smith, on the theory that if we could do so it would become self-regulating and automatically balanced, is a first-rate example of walking backwards. The trouble here is not "governmental interference with business"—small business itself is largely responsible for the anti-trust laws—but interference on behalf of an unworkable principle.

The protective tariff is another governmental interference with the free play of private competition. It is disapproved, and must logically be disapproved, by conventional economic theory just because it is an interference. This is not the place to discuss at length a subject of such endless complications, or one confused in the public mind by so much shoddy thinking. It is sufficient to point out that if we are going to rely on the theory of laissez-faire, on the sufficiency of "rugged individualism," protection is wholly illogical and completely dangerous. Here we have backed into control without even acknowledging the contradiction of ideas which was involved. And because we have not acknowledged the contradiction we have not exercised the control skilfully.

We have tried to pretend that all domestic industries can be protected, when as a matter of fact we can protect only those which have foreign competition, and do not produce a surplus over the domestic demand. Agriculture, railroads, utilities, coal, professional and service occupations—these and many others cannot benefit from protection. Yet they have to compete with the protected industries, and no compensating subsidies are offered them. We have also forgotten that if we interfere with the importation of goods from abroad, we interfere at the same time with the payments of foreigners to us. Payment ultimately can be made only in goods or services; there is not gold enough in the world to keep up a net balance of payment which continually runs in favor of a given country. Therefore, if we restrict im-

ports, we restrict the ability of foreigners to buy from us, as well as their ability to pay debts previously incurred.

A good deal is said about making a scientific tariff through revision by a Commission. But when the Commission is instructed by law to equalize foreign and domestic prices in the American market, or to follow some such hard-and-fast formula, it is helpless to apply any intelligent or discriminating policy. It can merely employ greater technical competence in revising whatever rates are set by Congress, regardless of the policy behind these rates. You have to have more than an expert knowledge of detailed facts in order to have a good tariff. You have to know what a good tariff policy is, in general.

When Mr. Hoover signed the Smoot-Hawley tariff bill in spite of almost unanimous protest from the economists, his excuse for doing so was that a reformed Tariff Commission would quickly remedy its stupidities and injustices. Neither he nor Congress, the argument went, was really capable of digging up the facts regarding the 3,300 duties involved. This was a job for experts, and he would see that the experts did their work expeditiously.

About a year later, exactly eleven duties had been changed, or somewhat less than one a month. There had been three increases and eight decreases. Woven-wire fencing of specified sizes coated with zinc before weaving had to pay 50 percent ad valorem instead of 45 percent; if coated with zinc after weaving, it had to pay 60 per-

cent. Cylinder wires having more than 55 meshes per lineal inch in warp or filling, and fourdrinier wires, suitable for use in paper-making machines, together with a certain type of woven-wire cloth, had to pay 75 percent instead of 50 percent. On the other hand, the consumer was relieved of small amounts of the prescribed duty on wood flour (whatever that is—it sounds like the constituent of certain types of saw-dust-filled “health” bread); maple sugar; maple syrup; hats, bonnets and hoods of straw, chip, paper, grass, palm-leaf, willow, osier, rattan, real horsehair, cuba bark, ramie, or manila hemp, wholly or partly manufactured, *if sewed*; pigskin leather not imported for footwear; edible gelatin valued at less than forty cents a pound; wool-felt hat bodies; and wool-felt hat bodies pulled. In addition to specifying these changes, the Commission investigated and specified no change in the duties on ultramarine blue, wool floor coverings n.s.p.f., and smokers’ articles. It specified changes on cherries, sulphured or in brine, and tomatoes prepared or preserved, but these findings were returned by the President with recommendations for new investigations.

No doubt the Commission performed heroic labors to get through this much work. In one year it brought forth three or four times as many changes as the former Commission did under the whole Coolidge administration. To make investigations of relative cost of production here and abroad, to hold hearings, and to assess the results of changing costs and prices in so chaotic an economic world, is no easy task. No doubt the duties

on some of these same articles ought now to be changed again, if domestic and foreign costs are really to be equalized. Indeed, it might be well to ask the Commission to devote its whole time to investigating and changing the duties on wood flour, or on cherries sulphured or in brine, and meanwhile to create 3,299 other commissions to adjust each of the other duties promptly and continually.

At least the American consumer received the benefit of such reduction of the cost of living as he could derive when he poured maple syrup over his pancakes or put on a straw or felt hat. To be sure, he had still to pay, if the article was imported, four cents a pound tariff on the syrup, 50 percent on the value of the straw hat, and 55 percent on that of the felt hat.

The silliness of these proceedings is obvious. They involve the most meticulous (but ineffective) control of industry conceivable. This is an attempt to do precisely what opponents of governmental planning or interference with business continually ridicule as impossible—setting up a board in Washington to investigate and run the infinite details of a complex economy. Of course that is exactly what good policy would avoid doing. It would rather concentrate on the broad aspects of foreign trade, as related to our domestic economic purposes, and decide what foreign trade policies ought to be applied, in view of national objectives. If it decided that we needed to exercise control over exports and imports, it would outline the correct principles of that control, and leave detailed administration to subordinate agencies. It



would be mainly concerned in seeing that American consumers—industrial and individual—got the goods they needed at the best possible prices, and had the best possible opportunities for selling their products to others. In the case of the tariff we have failed to employ our experts to advise us what general policy ought to be followed, but instead have given them an impossible job of detailed administration in carrying out an unwise and uncoördinated policy.

One of the most recent steps backward into control was the establishment of the Federal Farm Board, under the Agricultural Marketing Act. There can be no question, in any fair mind, that something had to be done about American agriculture; it was one of the chief sufferers from hit-or-miss individualism. But the Board started out with immediate “practical” programs which were unrelated to any long-time policy based on adequate research and careful planning. It plunged into two main lines of activity—stabilization and the stimulation of coöperative marketing.

Stabilization consisted of lending public money for the purpose of buying and holding enough of surplus crops to maintain prices. Such a policy might be successful in the case of a crop which, on account of seasonal or other temporary influences, was abnormally large, if there was a reasonable expectation that within a year or two there would be another crop of the same product which would be abnormally small. In such a course of events, surpluses could be bought when prices tended

to be low, and resold when a scarcity reappeared and prices were rising. There would then be no loss of the loaned funds, and severe fluctuation of prices would be mitigated. But the available facts concerning the supply of and demand for wheat, to take the outstanding example, indicated that the surplus was not seasonal or temporary. The world had for some years been producing more wheat than the markets could absorb. There was no sign of any prompt reversal of this trend; rather the contrary. In such a case, for the government or any one else continually to buy and hold surpluses meant merely pouring money down a bottomless hole. It meant concentrating a surplus which might be dumped on the market at any time, thus creating more uncertainty than ever.

Furthermore, a policy of this kind overlooks the effect of prices on production. In so far as stabilization succeeded in maintaining prices, it would presumably retard any tendency toward decreased output. The "law of supply and demand" is not so prompt and automatic, to be sure, as is ordinarily supposed. Furthermore, it can be utilized to advantage, if means of controlling the various factors are skilfully applied. Nevertheless, nobody has ever yet succeeded in holding up prices indefinitely if the supply keeps on outrunning the effective demand. To control prices in a free market you must control production. And you cannot control the production of millions of individual competitors, as the Farm Board tried to do, by preaching restriction of output to them. Farming suffers from the fatal defect which

always accompanies unlimited competition. What is in the ultimate interest of all competitors is not in the immediate interest of the single competitor. Each farmer would profit if *all the others* restricted output. But if they did restrict output, he would profit by growing as much as possible. If they did not do so, he could only lose by cutting his own acreage.

Coöperative marketing, in its turn, is a principle which may be good in the abstract, but one which cannot be successful unless governed in accordance with sound policy. It is advocated mainly for two purposes—to get a bargaining advantage for the grower in selling the crop, and to benefit the grower by eliminating the profits of the middleman. Both of these purposes are founded on assumptions which may or may not be true in any given set of circumstances. One assumption is that a coöperative marketing association will be in a position to bargain successfully; the other is that the profits of middlemen are large enough so that their elimination would be of real benefit to the grower. Neither of these assumptions appears to be anywhere near so true at present as has been generally believed. A coöperative cannot bargain successfully when supply continually outruns demand. It cannot allow any large proportion of the crop to be sold through private dealers. But if it buys most of the crop, it can dispose of it only at the price resulting from the relationship between demand and supply. In order to sustain the price it must therefore hold a large part of the crop off the market. But it cannot keep on buying and storing surpluses in-

definitely without losing enormous amounts of money. In these circumstances it is in virtually the same position as a stabilization agency. Even if there is no surplus to begin with, maintaining a profitable price is likely soon to create one. Successful coöperative marketing appears to imply coöperative (or some other) control of output.

As for eliminating the profits of middlemen, most of the factual studies show that profits form a small part of the spread between producer and consumer. They may constitute, in certain instances, a large return on the capital invested, but that does not mean that they take many cents out of the consumer's dollar. The principal opportunity for the coöperative in the field of distribution is not in eliminating profit itself, but in eliminating waste motion and making the whole operation of marketing more efficient. But this takes foresight and skill. Therefore the really important objective is to develop sound coöperative planning, skilful and honest coöperative management.

These considerations indicate that coöperative marketing, in order to retain the loyalty of the farmers and do what is expected of it, cannot be represented as something apart from themselves—an agency which is bound to bring them immediate and large profits. It cannot be improvised by broad gestures. It must rest on coöperative habits, which will survive temporary adversity, and must develop the disinterested skill necessary for successful coöperative management. Furthermore, it must get back to production control. A mass of individualistic, competitive farmers simply cannot be

converted over night into an organization of successful coöperators.

The Farm Board's initial failures cannot be attributed to governmental interference with private enterprise or to "socialistic measures." The farmers would doubtless have suffered just as much, if not more, had it never been created. The failures are rather to be attributed to programs developed without adequate research and reason, programs without a policy. And the lack of policy is due to our habit of trying to graft control into a fundamentally individualistic chaos. We try to control without abandoning the destructive economic individualism which makes fruitful control impossible. Not until we have a land policy, a production policy, and well planned, non-competitive units of agricultural production, can we remedy the economic ills of the land—except in so far as people may be willing to live on the land by consuming what they raise, without attempting to be part of the commercial complex and living by what they can sell.

These are but a few of the many governmental agencies of business which have been set up. But they serve to illustrate the truth that if we must attempt to control—as our experience continually teaches us that we must—we shall do well to avert our eyes from the pretense that we have, or can achieve, a fundamentally individualistic society. We ought to stop imagining that such a society would be desirable. These delusions merely prevent us from exercising effective control; they

render the controls which we attempt irrational and confusing. Of all idle Utopian dreams, unlimited capitalistic competition is the most fanciful. We never really had it; we are getting further from it every day. Why not frankly acknowledge that sensible management for collective purposes is the necessary goal, and see what we can do to achieve it? Why not devise our controls with that purpose in view, and mobilize them about it?

## CHAPTER VII

### WE PLANNED IN WAR

TO PROPOSALS that economic life be organized for collective purposes, it is customary for conservatives to answer that the task is beyond human capacity, or that, even if it could be done, it is something alien to the peculiar talents and values of America. These objectors forget that Americans, before the Russian Revolution, using their native wit and their domestic resources, once did a remarkable job of planning. Many of those who now advocate economic planning have been doing so, in one way or another, ever since the experiences of 1917-18, and mainly as result of the possibilities which those experiences suggested for better performance in times of peace.

This is a dangerous statement for anyone who believes in planning. It suggests to one with vivid memories of what happened during the war, that he wants such things as heatless Mondays, sugarless coffee, dollar-a-year men, useless wooden ships, Hog-Island confusion, an aircraft program which produces no airplanes, an artillery program which does not deliver a single gun in France, railroads accumulating a huge deficit and "undermaintained," big profits for meat packers, inflated wages, farmers held down to a minimum price for wheat,

and suffering from a broken promise about the price of pork, industries accumulating swollen surpluses.

There is no possibility of denying the fumbling, the mistakes, the occasional dishonesties, the annoyances accompanying our industrial mobilization for war. But we cannot understand that experience without recognizing a number of smaller facts and a few big ones. The smaller facts have to do with general misconceptions of what actually occurred. There is no space here to correct these misconceptions with complete citations of chapter and verse, but there is reasonable assurance in the figures that the following assertions are correct:

*Profits.* Aggregate profits of American industry, though large, were smaller, after we went into the war and established controls—in 1917 and particularly in 1918—than they had been in 1916.

*Food.* On the average—including the lower income strata as well as the upper—the nutrition of the American family was, during the war, on a higher level than ever before in history.

*Wages.* While money wages were increased all round, and the lower wage rates were increased more than the cost of living, so that standards of living rose for the poorer classes of the population, there was little or no average gain in the real wages paid for normal working hours during the war period. Railroad men and other higher wage groups had smaller increases in wage rates than the rise in the cost of living. Labor's chief benefit was from full employment.

*Agriculture.* While farmers may not have profited so



much as owners of industry, they were better off than for many years before or since.

*Railroads.* The railroads had to be taken over by the government—for temporary control—because they had practically broken down under the operating strain. Unified management proved so much more efficient than competition that the tangle was quickly untied and freight kept moving. The deficits which the railroads accumulated during government control were due, not at all to inefficient operation, but chiefly to the fact that it was thought wise, in the interest of the War, not to raise rates as fast as the prices of coal, materials and equipment were rising. If the railroads could now be as efficiently operated by competing private managements as they were—by railroad men themselves—under unified government control, they could probably give us better service at a lower cost than they do.

*Shipping.* In spite of the blunders of ship-building and ship control, we were able to neutralize the submarine campaign, transport a large army to France and supply it, besides sending abroad the materials required by the Allies.

The larger facts are the really striking ones. We took about ten million men—or one quarter of our gainfully occupied population—out of the production of goods and services useful in the ordinary life of peace. Some of these men were in the army, where they were engaged, either in the destruction of life and property, or in being trained for that destruction. The rest were occupied in equipping these men with the complicated and costly in-

struments of destruction, and all the other special material which they needed. Ten millions of our ordinary productive forces not only had to be fed, clothed, and housed as in peace, but themselves were engaged, directly or indirectly, in active destruction. This immense dislocation—

was achieved within a few months;

was carried out while the rest of the population was sustained on a level higher, on the average, than ever before.

The lesson of this experience cannot be escaped. By a deliberate collective effort, a tremendous expansion of our production was possible. By a deliberate effort, an amazing transfer of industrial energy from certain types of production to other types could be made in a short time. If that military and industrial army had been mobilized, not to kill, burn and shatter, but to substitute garden cities for slums, to restore soil fertility and reforest our waste regions, to carry out flood control, to increase the necessities of life available for those in the lower income groups, we could have achieved in a short time a large number of really desirable objectives. It is nonsense to say that there is any physical impossibility of doing for peace purposes the sort of thing we actually did for war purposes. There may be obstructions in our institutions, habits and desires, but not in our equipment, skill and intelligence. This is not to say, of course, that we could do the peace-time job in precisely the same way.

Some one may still be objecting that in reality the

burden of the War was placed on the future, that now we are suffering as a result of the extravagances which then were incurred. It is customary to compare a nation at war with an individual living beyond his income, who must subsequently scrimp to pay for his folly. The analogy is not wholly sound. It arises from the confusion of money matters with the physical aspects of our economy. It is true that money was borrowed by the nations at war, and that this money subsequently has to be repaid to the lenders, with interest. But the generation which fought the War produced every physical thing which was used by that generation. You did not, in 1917, borrow a cabbage or a tractor or a loaf of bread which did not then exist, and has now to be produced. The full cost of the War, in a real and physical sense, was met while it was being fought. The only true exceptions to this statement must be made in physical terms—as when cattle were killed off faster than they were bred, or machinery was allowed to wear out without being repaired or replaced. So far as the borrowing and repayment of money is concerned, it is not truly a transaction between one generation and the next, but a device which transfers income from one part of the population to another in each generation. When the United States government borrowed to pay the costs of the War, it was taking money from lenders to avoid taking more currently from taxpayers. The result was that subsequently it had to take more from taxpayers to repay lenders. This is essentially a redistribution of the available financial income existing at each time.

The economic consequences of the War and of the peace settlement were, to be sure, both tremendous. All sorts of dislocation of prices, of trade channels, of debts, of income distribution, followed. But the later sufferings were caused largely, not because the War consumed physical goods which now we ought to be consuming, but because we did not make the readjustment from war to peace as intelligently as we made the adjustment from peace to war. We have not learned how to use our stores of material, equipment and energy as efficiently for peace purposes as we did for war purposes. We organized to change over from peace production to war production, but we did not organize to change back; instead we abandoned organization as far as we could.

What was involved in the economic organization for war?

We cannot understand it merely by listing and describing the agencies which were set up. These agencies were the outgrowth of an endeavor to accomplish purposes, to serve needs, that were gradually recognized as essential. They were not, at the beginning, well adapted for their purposes, and even at the end they were far from assuming final shape. It is better to begin by showing what the purposes and needs were.

Before the war, we had an economic society proceeding in the habitual, unplanned, competitive way. Goods were produced in response to the demand of purchasers. If the demand for a given product rose faster than the supply, its price increased; this stimulated production

on account of the larger profits which could be made. Supply and demand were adjusted—so far as they were adjusted at all—through the price and profit mechanism. Nobody had much idea as to the total effect of what was going on. There was no inventory of resources, of capacity, or of demand; no program laid out for the future, no control of prices or profits. The persons or groups who had purchasing power commanded the resources of production in their own interest.

Into this society, before the United States entered the War, there was inserted, like a force pump, an extraordinary demand for the materials desired by the Allied armies and nations. Governmental purchasing agents came over with enormous credits, to buy large quantities of customary goods, and also large quantities of special goods which we had not previously been making. The result was that prices and profits went up in our industries. An expansion of our productive resources began. But they could not expand rapidly enough, in spots. Scarcity of materials began to appear. The railroads felt the strain. People bid against each other for limited supplies. Goods were often made faster than they could be shipped, and goods needed in a hurry were impeded by the production of other goods not needed so quickly. The ordinary mechanisms of competition, in this stringency, turned up even more confusion than usual.

Then the United States entered the War. In addition to meeting the growing demands of the Allies, our industry and man-power had to meet the huge demands of

our own governmental agencies. These agencies had all the money they wanted to spend. The government financed them to the limit. But they had almost no preparation for the job of raising and equipping a gigantic modern army. Not knowing exactly what they would need, they often ordered far more than they would need. They competed with one another for supplies which would not go around. They stepped on their own feet. Producers were pulled in every direction at once. Shortages developed everywhere—except in places where the need was not immediate. We had to make army cantonments, ships, tractors, tanks, guns, ammunition, clothing, and so on, to a total of thousands of items. And at the same time, men had to join the army. Something had to be done to subdue this planless waste. We had to arrange our demands on the one hand, and adjust the use of our resources to them on the other. This is what the economic war machinery was designed for.

There was gradually developed an economic planning system for the army, the navy and other great purchasers. These strove to work out a program in reasonable terms and to coördinate the various parts of it. Requirements were cleared daily through clearance committees in the War Industries Board, which would not allow orders to be placed unless the facilities for filling them were in sight. When it was necessary, on account of limited resources, to give priority to one type of demand over another type, a priorities committee in the Board decided which was to have the right of way. How far, for instance, should the available steel be allocated to

ships, how far to guns, how far to railroad equipment? The most vital necessities of the war and the basic goods needed to sustain the civilian population were of course put first. Producing units, on the whole, accepted these priorities as a guide out of their confusion. When it was necessary to enforce priorities, the government did so through its control of railroad transportation or coal. It denied freight facilities or fuel to manufacturers who insisted on giving first place to goods not having priority status. As a guide to clearance and priority, commodity sections in the War Industries Board kept constant tab on the capacities and existing production programs of the industries. They were in contact with committees representing the industries in question. Thus a rough production plan, not known by any one person at any particular time in its entirety, but worked out in countless details daily by many persons, was substituted for competitive demand and the planless adjustments of the price and profit system as the regulator of production. All this work was eventually headed up in the War Industries Board as the principal coördinator of war industries.

The Food Administration performed somewhat the same function for the food supply, coördinating the demands of the Allied governments and our own with those of the civilian populations arising through the ordinary channels of trade, matching demand against supply in the several kinds of foodstuffs, rationing where necessary, encouraging increase of output where necessary, working out essential substitutions.

The Fuel Administration took charge of the coal industry to see that it produced and shipped as efficiently as possible. It reduced many of the wastes of private enterprise, which often ships too much coal here and too little there, and ships it for greater distances than are necessary, in the competition for markets.

The Railroad Administration saw that the carrying capacity of all the railroads, considered as a national unit, was utilized to the best advantage. Rolling stock was pooled, and parcelled out wherever necessary. Routes were changed to make them shorter and more economical. Terminals were unified. Instead of being run to the greater glory and profits of individual, competing companies, the railroads were run to provide as efficient as possible a national system of transportation.

The Shipping Board took charge of shipping with the same end in view. It mobilized the cargo space and the existing port facilities to fill the tremendous demand for ocean transportation as well as it could be filled. These activities, though less spectacular than the attempt to produce new ships through the Emergency Fleet Corporation, were fully as useful.

There was built up a system of federal employment exchanges to economize the supply of labor, and to direct it where it was most needed. A national machinery for the adjustment of wages, hours and conditions strove to deal with these matters rationally rather than allowing them to be decided on the basis of economic conflict alone. In order that the machinery might work, the right



of labor to organize was, in many cases, implicitly recognized.

Price-fixing agencies, in the War Industries Board, the Food and Fuel Administrations and elsewhere, steered a course between two equally important objectives. One was to prevent such high prices for goods which were greatly in demand that the war would be unduly obstructed. The other was to set prices high enough so that industry, which was of course still operated on a profit-making basis, would be stimulated to the necessary productive effort. It was known that under war conditions great profits would be made, but the excess profits tax was devised to convey some of these windfalls back to the government. As a device for social justice, the price-fixing and profit-limiting activity left much to be desired, but as a means of regulating production for war purposes it was moderately successful.

We entered the War in April, 1917; the armistice was signed in November, 1918. While some of the preliminary steps were taken before our declaration of war, and the machine was not fully demobilized until 1919 and later, nevertheless this gigantic task of economic organization was performed mainly in the eighteen months of hostilities. Is there any wonder that there was a good deal of confusion in its operation? The marvel is that, by and large, it did the necessary job, that it saved us from a total breakdown.

In view of the present talk of national economic planning as if it were something new, strange, totally untried and beyond human resources, it is interesting that within

these few months there were found people with the requisite intelligence and organizing ability, and enough capacity for coöperation in achieving a national purpose, to know what was required and to put it into operation. This experience was never fully understood, and it is now largely forgotten, but it has not left a complete blank in the collective consciousness. We could not, after the war, go back to business as usual with quite the old naïve assumption that there was only one possible way of carrying on production and distribution.

What does the war experience teach us about the possibility of planning in peace? Is it true, as many have said, that we cannot organize our economic machinery for collective purposes unless we have to raise an army to fight an enemy?

One reason why it is supposed that we cannot do so is that, under the stress of war, the national government is permitted to do many things which would be constitutionally difficult in peace time. The President, as Commander-in-Chief of the army and navy, has almost dictatorial powers. There is truth in this observation, and yet the economic organization of the war was by no means based upon mere political dictatorship. Little that was done had to be enforced by edict and threat of penalty. But there were other more important circumstances making possible war-time planning, which do not ordinarily exist in peace. It will be useful to analyze these in order to see how, if at all, we can create substitutes for them when we are not at war.

The real compulsion, at bottom, was that furnished by the situation in which we found ourselves. Having decided to fight a war, to raise an army, to supply it and transport it, there were certain things which, we painfully discovered, had to be done to achieve that end. Understanding of these necessities brought compliance on the part of many persons which would not have been accorded to the exercise of arbitrary or capricious force. When an obstinate objection was met, the procedure followed was to explain the relevance of the proposed measures to the national purpose, and to ask the objector to face the responsibility of obstructing that purpose. This was the negative usefulness of a known and declared end. Positively, it created in many an enthusiasm which made obstacles easier to overcome.

To supplement this means of bringing compliance there was the economic force furnished by the fact that so much purchasing power was concentrated in the hands of governments. A buying monopoly, whether it is public or private, is always in a position to dictate to sellers who are not subject to an equal degree of combination. If the government said, "Of the various things I am ordering, I want this first, that second and that third," the seller had good reason to agree. Likewise the government, as purchaser, was in a strong position to say, "You must supply me with essentials before you supply other, less important customers with non-essentials." These two types of economic dictation, which are practised in some degree in ordinary business life, became nothing less than the ability to enforce planning, when raised to

a national scale. Of course the governmental purchasing power was in a favorable bargaining position with regard to price, as well as with regard to many minutiae of direction. The control that was exercised over industry was based, therefore, not primarily on constitutional political power, but on the economic power which naturally lies in the hand of a gigantic purchaser. No such concentration of purchasing power normally exists in peace.

The fact that governments were purchasing, and were purchasing to prosecute a war, likewise laid the reasoning basis for a plan. Because army and navy staffs were able to find out approximately what was needed, and the order in which it was needed, it became possible to draw up production schedules, to correlate them with one another, to rank the demands in an order of importance. There were objective criteria of judgment which could be used as the basis of decisions about production. These criteria were not easy to discover, and were not easy to apply, but they did exist. When our usual economic institutions are operating in peace, there is no single agency to specify and correlate demands. The ultimate demands arise from millions of individual consumers who are supposed to have freedom of choice in what they purchase. Nobody knows exactly what, when, or how much they are going to buy. The whole hierarchy of production, and of the supply of equipment for production, rests on this uncertain and largely unknown quantity. Style changes, innovations, changes in habits of life, fluctuations of purchasing power in the hands of

consumers, combine to increase the uncertainties of producers. How much purchasing power is the population going to have? And how much of it are they going to use for rent, for bread, for fresh vegetables, for clothing, for automobiles, for radios, for movies, for electric refrigerators? How much for what varieties of each? Without some mobilization of purchasing power, and without some ability to predict its detailed direction, it is impossible to plan production intelligently as a whole.

Finally, there was a situation which is peculiarly important when we are considering planning as a method of avoiding depression and increasing the general standard of life. Depressions are characterized by a general lack of purchasing power; even in moderately prosperous periods there are usually idle plants and machinery which cannot be kept busy by the existing market demand. But, during the war, our industrial plant was operating at high pressure; there was almost no unemployment. Why did this happen? Merely because production was centrally adjusted? By no means. It was because governments were pouring a great stream of money into the markets. In times of peace there is almost never enough money seeking goods so that our productive plant works at full capacity. The sole exceptions are periods of speculative boom or inflation which shortly collapse into depression. That is one of the economic mysteries of an uncontrolled system. Perhaps the most important difference between the war economy and the peace economy was the presence in the former of abundant and insistent purchasing power.

The procedure of war finance has often been explained. Governments, which had to spend enormous sums, acquired them in two ways. One was by increase of taxation. But taxes were not raised sufficiently to provide anywhere near enough public funds. The other way was by borrowing. Now the curious fact about this borrowing was, that it not merely transferred purchasing power from the lender to the borrower; it actually increased the purchasing power of lenders as well as that of borrowers. In a sense, the government created the funds which it borrowed.

If Jones borrows five dollars from Smith, Smith has five dollars less to spend and Jones has five dollars more; the total of purchasing power is not increased. If Jones borrows five hundred dollars from a bank, the bank does not have to get from Smith or anybody else the five hundred dollars which it lends, provided its reserves are more than sufficient. In that case, total purchasing power is increased by the amount of Jones's loan. (Increases of credit of course have precisely the same effect on purchasing power as increases of dollar bills in circulation. Jones deposits his loan just as if he had received the amount in currency, and draws against it either to pay someone by check, or to get cash.) A general increase of credit by borrowing from banks often occurs in peace time, and when it occurs, we usually have business revival or prosperity—purchasing power is increasing and thus is making a better market for goods. But there is a limit somewhere to the banks' lending power, which is fixed by the amount of their reserves.

A peculiarity of governmental borrowing is that it not only increases the total sum of credit, but increases bank reserves at the same time, and thus expands the banks' capacity to lend. When the Federal Reserve Banks buy large quantities of government bonds, they increase the amount of credit which the member banks can put out. Therefore, the government, by its huge borrowing operations, greatly enlarged the banks' capacity to lend, not only to the government but to private persons. In a roundabout way, the government increased purchasing power just as if it had used the printing presses to turn out huge quantities of paper money, and had spent this money. It is highly important not to forget the dual economic rôle of government in war planning: while with one hand it was increasing the ability of industry to produce, and thus to pour out goods and employ labor, it was with the other hand creating and handing out the money which enabled factories and farms to finance their production, pay the wages to the labor employed and increase the incomes of all others concerned. And workers, farmers, employers and the rest came back into the markets with their increased incomes to buy the things which the government itself did not require.

Economists will be quick to point out that there is a catch in this process which makes it inapplicable to a long-time economic program. They will admit, of course, that a general increase in purchasing power by expansion of credit stimulates industrial activity, whether in war or in peace. But they will warn us that this course, if continued, leads to what is called inflation, which in

turn leads to a financial and industrial crisis. If purchasing power is increased more rapidly than the ability to produce, prices will rise (as they did, all over the world, during the war). The faster prices rise, the more individuals and governments will be induced to borrow. This in turn leads to more price increases. Thus the process spirals upward. This might be thought to lead to ever-increasing prosperity. But it does not do so, as the world has since learned, to its sorrow. All prices and all incomes do not advance at the same rate, in these circumstances. If they did, no damage would be done. But government income from taxes does not expand so rapidly as government expenses grow, and thus governments drift toward insolvency. Wages cannot be raised so rapidly as retail prices; thus wage-earners' purchasing power is eventually decreased. Rents change tardily, and so landlords suffer. Bond yields increase a little, but hardly enough to make any difference to those dependent on income from this type of investment. Retail prices rise more slowly than wholesale or factory prices. Factory prices rise more slowly than prices of raw materials. Although total purchasing power is increasing, its distribution radically changes. Certain large classes lose purchasing power, while other classes gain it with miraculous rapidity. Money is channeled off to owners of, and speculators in, raw materials and productive establishments. The sure sign of an era of inflation is a rapid growth in profits.

What kills inflation-prosperity in the end is this poor distribution of purchasing power. The government,



which begins by increasing the purchasing power in its hands, ends by being unable to collect enough to meet its obligations. In cases where inflation is not caused by governmental fiscal policy, but simply by expansion of commercial or investment credit, the apple-cart is upset by the fact that profits are collected faster than they can be spent, while those who do not share in profits must perforce restrict their own expenditures; so markets for goods collapse. This is an over-simplified account of what happens, which overlooks many complicating factors, but it is close enough to the facts to serve the purpose of the present argument. The argument is to the effect that a government cannot maintain prosperity indefinitely, whether in war or in peace, by the simple expedient of inflating purchasing power.

This objection cannot be left, however, without pinning on it at once two important qualifications. There is no valid theoretical reason why, under proper policy and control, we need bob up and down between inflation and deflation. It will be remembered that the main characteristics of inflation are two:

1. An increase of purchasing power *more rapid* than the increase of physical production and trade;
2. The fact that the resulting increase in prices and money incomes is *uneven*.

If a government could increase purchasing power just enough to keep us all busy, but no more, and if it exercised sufficient control over prices and incomes to prevent the channeling off of an excess of purchasing power into profits, collapse need not result from a controlled

stimulation of purchasing power. At least, it looks that way, before the experiment has ever been tried anywhere except (possibly) in Russia. If the war had continued, and our government had perfected its machinery of price control, wage adjustment and excess profits taxes, it is quite possible that it might have learned how to finance its purchases without increasing its current expenses more than its current income, and how to increase the general store of purchasing power as rapidly as production and trade expanded, but no more rapidly.

To sum up the lessons from our war planning, then, if we are to plan successfully for peace, we must establish the following four basic conditions:

1. We must have an objective which can arouse general loyalty and enthusiasm.
2. We must have an objective which is capable of being so concretely defined that it can decide questions as to how much we need to produce and in what order of importance the requirements are to be arranged.
3. We must have some means of mobilizing purchasing power—at least a substantial portion of it.
4. We must have some controlled means of increasing purchasing power. We must increase it enough but not too rapidly, and we must distribute the increase in the right places.

## CHAPTER VIII

### RUSSIA PLANS IN PEACE

IT is curious how the idea of economic planning has come to dominate all others in foreign views of the Russian revolution. At the beginning, neither the Communists nor their opponents paid much attention to it. People talked about political slogans, like "all power to the workers," about political instruments, like the soviets, about political activities, like dictatorship, or suppression of liberties, or propaganda for world-wide revolution. These things were extravagantly praised or intensely feared; but they carried little of meaning to the rest of the world. Soviet Russia was a monstrous curiosity, but few persons understood what she was really driving at. Economically she was supposed to be, as Herbert Hoover is quoted as having said, a vacuum. On this account a collapse of the revolutionary régime was momentarily expected.

But as the collapse failed to occur, and as the Soviet Union turned its attention to operating the new society it had set up, gleams of understanding began to appear. That Russia was really doing something in the economic realm became apparent from the fact that she began to place large orders with our industries, and to sell in for-

eign markets. She requisitioned our engineers and experts by the hundred. After all, something appeared to be going on that was more comprehensible to the American consciousness than the jargon of revolutionary plotters. This something was deeply concerned with production, with machinery, with technical improvement. It could not, apparently, be brought to fruition without relying heavily on our resources of equipment and skill. This created a pathway of sympathy. Perhaps Russia was not talking the same language that we were, but at any rate she was using a lot of the same words. We listened intently to what she had to say, and eventually made out that she was bent on constructing a great industrial civilization which would not merely equal, but surpass our own, and that she was doing so by an exercise of national will and a national economic plan.

At once our interest in Russia was increased a hundredfold. We could not assimilate the hard dogmas and the terminology of Marxism, and faith in our own political activity had sunk so low that we could not have any confidence in political measures, phrases or personalities. But we were irresistibly attracted by the idea of planned use of modern industrial technique. This is the least obstructed channel of ideas through which revolutionary Russia's contribution to our older civilization, whatever that contribution may be, has begun to flow. That fact must be profoundly significant to those who are interested in the process of social change, and in the essential nature of the changes which are coming. We do not easily comprehend social revolution, but we are

conditioned to respond to the principal outcome of that revolution in Russia.

The world, these days, is full of books and articles on the Soviet Union. The present purpose is not to add another attempt at personal interpretation. We shall leave out the approval or disapproval, the anecdotes, the descriptions of daily life and personalities, the historical, political or ethnographical comments. One good reason for doing so is that the author has never been in Russia. But he has devoted careful attention to the most reliable economic reports, in order to learn from them how the Soviet Union is doing her planning. This chapter is a very brief, preliminary excursion into that subject, with the concrete and limited purpose of discovering whether there is anything in it which may be adapted to the need of the United States. Russia has avidly made use of our machinery and engineering skill; can we make use of any of her economic inventions?

Two extreme groups of opinion deny that we can—the American Communists and the American reactionaries. As in so many other situations, the political extremes here meet. Both groups say that economic planning is an integral part of a Communist society, that it must be preceded by a revolution which will establish the dictatorship of the proletariat. The difference between these groups is that one wants the revolution and the other does not. The Communists call anybody who talks about planning without revolution a Fascist and an enemy of the working class; the reactionaries call anybody who talks about planning without revolution a

Communist in disguise. If the argument is not thus to evaporate in the calling of names, we must look more closely at the facts.

The most obvious set of facts has to do with a difference in the general economic situation of the two nations. Soviet Russia began with a vast area touched only in spots with modern industrialism. Primeval forests blanketed much of the land. About eighty-five per cent of the population was engaged in primitive agriculture. The general standard of life was, according to our ideas, low. Only one out of five could even read and write. What manufactured products the population enjoyed were, in great measure, imported from abroad. They were bought with exports of raw materials such as grain, timber, furs, foods, and, in recent years, oil. It was largely on this account that the Communists first thought that if the Russian revolution was to survive, there must be a world revolution as well. Russia, in order to improve her standard of life, must have friendly relations with manufacturing countries so that she could develop her trade. If these countries, remaining under capitalist rule, should boycott her, or, worse still, if they should war against her, she could not hold out long against them. Russia's economic difficulty was at first—and still is—a scarcity of goods, and of the means of producing goods, in relation to the ambition for a higher general standard of life.

The United States is much further along the scale of industrial development than Russia was at the time of her revolution. In our earlier years we had, like her, de-

pendent on our exportable surpluses in order to buy manufactures from abroad. We shipped out wheat, cotton, beef, pork and the like in exchange for machinery, cloth and fabricated articles of all kinds. We still have exportable surpluses of these things, as well as of oil, copper, and many other natural products, though our timber and furs have been so ruthlessly exploited that they are no longer abundant. But now we have developed a great system of manufactures as well. We have exportable surpluses of automobiles, steel, machinery, cotton cloth and many other fabricated goods—or the equipment to produce such surpluses, which amounts to the same thing. Our economic problem is not that of scarcity, but, paradoxically, that of relative abundance. We have made so many goods that many of us are in danger of starving and freezing to death.

When the Soviet leaders became convinced that a world revolution was not imminent, they turned their attention to the rapid building of a great and rounded industrial plant within their own country. The utmost haste was essential. If Russia could not depend on obtaining from abroad the manufactured goods which she needed, she must prepare to make them for herself. Hence the demand for our machinery and our engineers. But how were these things to be purchased? The capitalist method by which a country builds up industry is to invite foreign loans and investment. That is the way in which factories and railroads were first built in the United States. We borrowed money from abroad with which to buy from foreign producers the machinery we

needed. Later we paid it back by enlarged exports. Soviet Russia at first did her best to adapt this method to her own uses, by offering limited concessions and seeking long-term credits, but foreign capital generally boycotted her. She had to rely upon selling her existing products in order to get, month by month and year by year, the foreign currencies necessary to pay for her imports.

The war, the revolution and the civil war had reduced her own production to a calamitously low level. Moreover, the turning over of the land to the peasants had resulted in a diminished supply of grain in the markets. Almost as much was grown as before, but more was eaten or held on the farms. Therefore, there was not so much wheat to ship abroad. This made necessary the forced development of large-scale modern agricultural technique, executed by state farms and collectives. The output of wheat had to be increased, so that more would be available for export. Nationalized forestry and oil industries were directed to the same purposes. A strict governmental control of foreign trade was established. By these means exports were enlarged. And the purchases made abroad from the proceeds of these exports consisted principally, not of clothing, food, and other goods which Russian individuals might have consumed, but of tractors, electrical equipment, structural steel, machinery of all kinds—the basic facilities for future production in Russia. Thus the control of Russian economy resulted in a net sacrifice by the domestic population—for the time-being. The national energy was di-



rected, not primarily toward producing more things for immediate satisfaction, but toward producing more things which might be sold abroad. And the money received from those sales was used to buy, not things for immediate satisfaction, but things which might be used for future manufacture.

By these means the Soviet Union has increased its production at what is probably a more rapid rate than has ever been known before in any country. It has probably saved more capital in proportion to the national income than any other country has ever done. This statement sounds absurd in view of the fact that Russia has abolished capitalism. But Russia has not abolished capital—the difference is that her saving and her capital are social instead of individual. All the national effort, devoted to erecting factories and mills and hydro-electric plants instead of making more food and clothing, was a process of saving and of capital formation just as truly as if each individual citizen had received in money a larger income and had saved about half of it for investment in factories, mills and hydro-electric plants.

The next period in Russian planning will be one of less strain and sacrifice. It will devote less attention to rapid building of productive facilities, and more to fabrication of foods, clothing, houses and other articles for domestic use.

If the United States were to develop a national economic plan, it would be compelled to seek quite different immediate objectives. We have no need of enduring great sacrifices in order to buy more things abroad, or

to build up our basic industries. Physically, our job would be much easier than Russia's has been. We already have most of the material equipment which the Russian people have striven so heroically to acquire. We have plenty of skilled and trained labor, which they lack. But mentally, we should have a less simple and easy task than any she has faced so far. External necessities set the first goals for the Russian planners. It was not difficult for them to see what they had to attempt and why. In this respect their task was analagous to our war planning. They had to lay out a system of power plants, factories, mines, and oil wells, acquire the materials and the skill to build them, and train the people to operate them. This was a gigantic undertaking to execute. But, logically, its outlines were pretty clear. There were definite criteria of judgment as to what was needed, and where, and how much, and when, just as there were in our economic war machine. Purchasing power was largely mobilized by the government itself, especially since the monopolized foreign trade played so large a part in the scheme. But the United States could not begin its planning with a governmental attempt to build a brand new industrial plant. We could not create employment in quite that way. Slavish imitation of the first Soviet Five-Year Plan would get us nowhere. It is irrelevant to our situation.

There are, however, other elements in which the Russian economy is more like our own than either the propagandist advocates or the opponents of the Soviets desire to admit. The Soviet economy is not the sort of thing

that a theoretical Communist of a previous generation would have recognized as Communism at all. Nor is it the sort of thing which its more prejudiced and ignorant opponents denounce. Let us list briefly a number of these broad points of similarity:

1. *Financial institutions*

It uses money; it has banks, it even resorts to borrowing by the government and the payment of interest.

2. *Profits*

Profits are made by its industrial and commercial units—though these profits are not distributed to private owners.

3. *Capital*

Capital is accumulated and is invested in new productive equipment.

4. *Unequal rewards*

The payment for work is unequal (though the inequalities are not nearly so great as in this country). Piece rates are widely used in the payment of wages.

5. *Accounting*

Careful accounts are kept in each factory, store or other unit, and the management of each is responsible for operating it without a deficit on the books.

6. *Free choice by consumers*

Individual purchasers buy, with money, the goods that are for sale in cooperative and other stores. They exercise free choice in what they buy, so far as they can do so within the range of articles offered for sale and the prices charged. Rationing is resorted to only in the case of necessities of which there is a scarcity, and then only so long as a scarcity exists.

7. *Decentralized management*

The details of industrial and commercial life are not directed by a central board or a bureaucracy. Given a central decision on main policies, as much stress is laid on decentralization of activity and responsibility as in most large American corporations.

8. *Change and Adjustment*

Industrial life is not governed by a hard-and-fast plan which is not subject to change. Changes in planning are constantly made. Mistakes occur, are acknowledged and corrected. Soviet economy has probably changed and developed more rapidly than any other in history. The planning function is not primarily a restricting one, but a stimulating one.

But here we verge into the differences between the Soviet economic system and our own. The similarities have been emphasized in order to show that a planned economy—even so thoroughly planned an economy as the Russian—does not involve so drastic a change in all our habits and ways of behaving as it may appear without careful study of the facts. Communists have admitted ever since Karl Marx that a socialist society would utilize the technical devices which capitalism develops—machinery and engineering skill. The experience of Russia so far indicates that it will utilize many of capitalism's economic devices as well. The gap between capitalism as we know it and socialism as Russia is developing it may prove to be wide in respect of the net results of security and enjoyment for the worker, but it is far narrower than is generally supposed in respect of the economic devices employed. And there

seems to be no good reason to expect that the gap may not be narrowed from the capitalist side as well as from the socialist side. Industrialism creates its own way of life, and any society which attempts to utilize modern technique must approach the same end-product of culture, no matter from what theoretical basis it starts. It must do so, that is, in so far as it adapts itself to the industrial environment, and does not, by a stubborn or stupid failure to adapt, stultify itself. In one sense, the basic choice is not between capitalism and communism, but between adaptation to industrialism and decay.

Having observed general similarities between the Russian system of management and our own, it remains to point out the differences.

The central difference is that in the Soviet Union there are basic decisions as to the policy and objectives of the collective life, whereas in our society the necessity for making such decisions is not acknowledged and there is nobody charged with making them. These decisions are made, in Russia, by the Communist Party—a highly exclusive and rigorously self-disciplined minority devoted to the building of a socialist society. The Party works through the All-Union Congress of Soviets and especially through the executive agencies of that body. The soviet system itself is based on a broad franchise; individual voters need not be members of the Party, and most of them are not. But they accept the party leadership, and nearly all of the important political posts are filled by party members. Thus the policy decisions are made by political instrumentalities, and political activity

is dominated by a political machine. It is, to be sure, a political machine with high social standards, which rigorously checks graft and personal ambition. But it is important to note that central to the whole endeavor is political control of a recognizable type. The difference is that in Russia this control is devoted single-heartedly to the hammering out of collective policies, whereas our political control serves, in the main, the ends of the varied private interests which pay its bills. This circumstance is one of the things which prevents our political machines from attending more than they do to general policies. The assumption in this country is, whenever any assumption is made, that the interaction of all the numerous private interests will automatically produce the most desirable general policy. We abandoned that assumption temporarily for war purposes, and we must abandon it whenever we want to tackle national economic planning.

The basic decisions made by the Communist Party include such things as that the state shall own and control land and natural resources, factories, machinery, banks, stores, and merchandising agencies, and that all these things shall be used for the benefit of the whole population (except of those whom the Socialist state regards as enemies or useless persons, like saboteurs, priests, private traders and private employers). Perhaps it is inaccurate to speak of these as decisions, since they are part of the unquestioned first principles, acceptance of which is necessary to membership in the party. Nevertheless, decisions had to be made as to ways and

means of carrying them out. Lenin's New Economic Policy marked a strategic retreat from the execution of these purposes, and though advance toward them has since been resumed, they are not yet completely realized.

It does not follow that exactly the same basic decisions would have to be made by a policy body in the United States or another country. Such a body might, just conceivably, decide that the collective welfare was best served by favoring a privileged class of corporation owners or priests or bankers or artists or experts in auction bridge or military officers or descendants of the signers of the Declaration of Independence. But it is difficult to see how they could command the necessary general coöperation and enthusiasm if they did anything like this. Public opinion in the world has been so conditioned by industrialism and the liberal democratic slogans which accompanied its birth, that the main objective of policy in any country would almost necessarily be the same as the Russian objective—enhancement of the general popular well-being. There might, however, be more doubt as to whether it was necessary, in pursuit of this end, for the state to expropriate all productive or business property. It is perfectly possible to conceive of a policy-making body deciding to experiment with other means of control before concluding that general state ownership was necessary. It may be that private productive property is not in itself incompatible with the general welfare, but is incompatible only to the extent that it prevents or resists planning exercised in behalf of general policy. Experiment might be made to

determine how stubborn and unavoidable that resistance would be.

Less fundamental decisions of policy in Russia have concerned such things as whether the national energy should first be devoted to building up basic industries or to an immediate improvement of the standard of life. Similar kinds of decision would have to be made by a policy body in any country, though the decisions themselves would of course vary according to the peculiar situation and problems of the country in question.

Having laid out a policy, it is possible to begin to plan. At the top, the Soviet Union has a State Planning Commission. It is not just a small board of men, but a huge office, with many divisions and subordinates. And its function is not that of supreme industrial command, but of advice and correlation. It is to the administration of industry what the General Staff of the army is to the officers of the line. The State Planning Commission does not draw up detailed production plans for every factory and every nook and corner of Russia; such a task would be impossible to execute in time, and the resulting plan could not be successfully administered. What it does is to translate the national policy into the main concrete objectives to be achieved. Every industry, every plant, every subordinate governmental unit, has its own planning commission. As soon as the State Planning Commission in Moscow has laid down the general framework, these intermediary and local bodies proceed to make their own plans and draw up their own production schedules within the national plan. Decisions which



are only of local or regional importance are made finally by the local or regional planning bodies. But decisions which vitally affect the All-Union plan are passed up again to the State Planning Commission, which coördinates and revises them. Thus planning proceeds simultaneously from the top down and from the bottom up.

How does this scheme work, say, in a single factory or mill? An interesting description of this process is given by A. Ford Hinrichs and William Adams Brown, Jr., in their paper on "The Planned Economy of Soviet Russia" in the *Political Science Quarterly* for September, 1931. A textile plant, let us say, begins its calculations with standards of efficiency which it can attain, or hopes to attain. How much cotton cloth of various types can it turn out from a given quantity of raw cotton, and with a given number of workers? These standards are set by engineering studies of the plant, comparison with standards achieved elsewhere, conferences between management and workers' committees, and revision from above. With standards established, the plant knows how much it should produce in the ensuing year, how much cotton it will need for that production, and how much labor, at the standard working hours, it will require. The wage-scale is fixed for the year by negotiation with the union. (Wage scales are of course partly determined by general policies.) With wages fixed and standards of efficiency set, it is possible to calculate the total wage bill for the year. The price of raw cotton is fixed for the year by the central authorities. Since the mill knows how much cotton it will need, according to

its plan, the bill for materials can be estimated. "Other expenses, *including depreciation but excluding any return on plant investment*, are figured in precisely the same manner that an American accountant would set up the books of a New England textile mill." To these elements of cost there is added "a planned profit to be distributed for certain specified purposes," partly for housing and social and welfare work, and partly to be passed over to the state. This accounting determines the cost of production, which in turn determines the price at which the cloth is sold to the distributing organization. Prices are so important in a controlled economy, however, that in practice final decisions on price policy are made by the supreme political authority.

The distributing organization is permitted to add a certain percentage to cover its own expenses, this percentage being determined by familiar engineering and accounting methods, and finally being fixed by the State Planning Commission in conference with the interests concerned. The cloth is distributed to coöperative stores through their central organ, and they take a certain percentage for their expenses. In the case of an industry selling to another industry, the price is finally fixed by the Supreme Economic Council, which is the general administrative body over industry, as distinguished from the State Planning Commission, which has mainly advisory functions.

Two things are obvious from this brief survey of the planning process. One is that without the basis of local planning and decentralized administration the central

planning organizations would be helpless. Their calculations rest upon the summation of realistic details. The other is the basic importance of labor. The trade unions, protecting the interest of the workers in the matter of wages, have an important influence on labor costs. But the unions act as well in the interest of greater efficiency. They are active in selling to the workers the idea that the more efficient the productive methods are, the better off they will be. And the pressure of labor upon management for greater efficiency is important in many cases. There is also the constant drive of the central organization for more production and higher efficiency, which sometimes revises production schedules so far upward that they are impossible of accomplishment, but which also sometimes revises them above the goal thought possible by subordinate bodies and yet achieves the result desired.

A further word is necessary about the organization of productive industries, distribution and finance. There is, as stated above, a general administrative authority over industry, the Supreme Economic Council. Food industries are under a different head, the Commissariat for Supplies. Under these national bodies there is, for each of the most important industries, a great combination which in general directs the operations of the factories, buys the raw materials and sells the product. Under these combinations there are subsidiary trusts for more detailed and technical direction. The producing organization is therefore similar to that familiar to us in such companies as General Motors and United States Steel,

each with its subsidiaries. But with us there is no national industrial authority at the top—unless we conceive as such the thousand or so men who have controlling interests in the big banks and corporations which do about forty per cent of the business in this country.

The distributive system is simpler than our own, but has many points of similarity. Products of industry destined for the use of other industries pass to them in accordance with the plan, through the proper industrial organizations. Goods required for export are sold to the foreign trade monopoly, as part of the export plan. The foreign trade monopoly in turn supplies the industries with required imports. Goods destined for individual consumers are sold to the central coöperative organization for distribution to the coöperative stores. Much the same system is used for distribution of farm products.

The local coöperative organizations work out for each year the prospective demand for consumers' goods, based on the experience of the previous year, and the changes in population, in consuming habits and in local purchasing power. This requisition passes through the central coöperative organization to the State Planning Commission, where it is matched against the production program. So far, output has for the most part been inadequate to satisfy the coöperatives' requisitions, but wherever it is more than adequate, the excess product is distributed through state stores, which are retail outlets of the manufacturing trusts, and sell at the same prices as the coöperatives. If, in the United States, retail trade were principally in the hands of a single combination in-

cluding the big chain stores, the department stores and the mail order houses, an extension of their existing methods of calculating demand would provide much the same estimate of requirements for consumers' goods as now exists in the Soviet Union.

The development of the banking system in the Soviet economy is particularly interesting. Banking is of course monopolized by the government. Each of the great industrial or trade agencies keeps an account at the State Bank. Each, knowing its requirements for credit in advance, is provided quarterly with enough credit to meet its needs for cash and deposits during each quarter. Payments from one agency to another are made by transfers of credit on the books of the bank. We accomplish the same result, in our less centralized banking system, by drawing checks or drafts which pass through correspondent banks or clearing houses.

The allotment of these short-term credits by the State Bank rests, not upon momentary decisions or unrelated requests by "customers," but upon financial plans worked out in advance by the several industrial planning agencies. No plan, no credit. The financial plan of each concern is based on a budget—a device familiar to our more progressive businesses. And the State Bank is not a mere passive agency, granting credits as requested. Its own economists not only supervise the budgets and the financial plans of the trusts, but take an active part in drawing them up, thus providing a control and a check which is not unfamiliar in our own banking practice. The local industrial organization, the

combination of which it is a part, and the bank may disagree as to how much credit is required by the local organization. If the disagreement cannot be settled among them, a final appeal may be made to the government.

Hinrichs and Brown state, in their paper mentioned above:

"The fact that the State Bank is the banker for all producing units in Russia and that the working capital allowed them is a function of fixed prices and efficiency ratios, provides on the books of the bank a continuous audit of plant efficiency in the utilization of materials and labor. If, under these conditions, the individual factory operates during the year, or during the quarter, exactly in accordance with the plan, it will come to the end of this period with a balance in the State Bank which can be exactly calculated in advance. If it operates more efficiently than it is instructed to do in the plan, it will have a larger balance than that planned for; if less efficiently, a smaller balance. This circumstance gives the planning authorities in the comparison of budgeted and actual costs an immediate and automatic measure of the efficiency of every factory in the Soviet Union."

It will be seen from the above that while we have many of the same banking practices in embryo, we have not extended and combined them into the control of credit on the engineering and accounting basis which Russia employs. With us, the banks have final say as to how much credit may be granted in specific cases, and their decisions are frequently not based on good financial

plans of the borrowing concerns. Even should these plans exist, the bank may be influenced by extraneous considerations like its opportunities for profit, or the size of its reserves.

So much for short-term credit. Long-term credit, to be used for capital purposes such as expansion of plants and purchase of machinery, is furnished by a long-term credit department of the State Bank, which serves industry, and by similar institutions for the coöperative distributing organizations, the municipalities, and agriculture. The funds for this investment are derived in part from the profits of industry, which, so far as they are not used for local housing and welfare, pass into the budget of the State. We have rudiments of the same practice in the direct reinvestment of profits by our industrial corporations. In both cases this is compulsory saving, as far as the individual is concerned. But the important difference is that with us each corporation decides how its surplus is to be invested, according to the estimated profits to be made, whereas in Russia the surplus profits are pooled nationally and are invested according to the general plan for future development. Other sources of capital are state revenues from taxes and loans, and, sometimes, even currency inflation.

A financial plan for the whole nation is made annually and revised quarterly. It includes the governmental budget, short-term credit, and capital investment—factors which are obviously inter-related in any nation, but are especially and explicitly related in the Russian scheme. This plan must be approved both by the State

Planning Commission and by the State Bank, which has a veto power which can be over-ridden only by the central political authority. It is clear that the planning and control of finance is one of the most important instruments of the whole Russian planning system. It furnishes a constant check which ramifies throughout the whole structure. For credit is the life-blood of production and trade, while the accumulation and allocation of new capital determines the whole direction of national development. Our difficulties of inflation and deflation, of under-equipment or over-equipment of industries, are central in our economic confusion. If they could be brought into order, much of our economic trouble would disappear. But of course, financial order cannot be created without an intelligent framework which determines how we want our resources of labor energy and materials to be used.

We have mentioned controlled prices and profits, in several connections. It may be well here to give a more connected account of their place in the system. No factory or store manager has to bargain in the markets for the price he is to receive. Either it is fixed by the calculation of production cost as previously described, or it is revised upward or downward in accordance with some policy of the central authority (such as that policy, for instance, which aims to discourage the use of luxuries until the basic industries are built up and the need for common necessities is satisfied). In any case, however, the manager's job is the purely technical one of producing as much as possible, of a sufficiently high quality, at



as low a cost as possible—wages and prices of material being fixed. It is not the “business” job of stretching selling prices upward and pushing buying prices downward. If the selling price is planned to allow the factory a profit at the standard of efficiency adopted, and if the factory makes the planned amount of goods at the level of efficiency set, its profit will appear according to plan. The profit will be found in the factory’s credit balance on the books of the State Bank. If the planned profit does not appear, there is something the matter, either with the amount of product, or with the efficiency of operation. These in turn may have other causes, which are investigated. Intense effort is devoted to remedying the condition. A company may be allowed to continue for a time operating at a loss by advances of credit, just as it may in this country, but not indefinitely. Measures are taken to correct whatever is wrong. If all else fails, the price may be adjusted. No concern goes “out of production,” throwing workers into the street, just because it does not make a profit. It operates because it is needed in the plan, if it is allowed to operate at all. And if it is needed, it is worth paying for. If a company makes more than the planned profit by exceeding its quota, so much the better. This fact also appears on the bank’s books.

Thus the absence or the size of profits acts as a spur to management much as it does in the United States. It acts as a spur to better technical management, however, rather than as spur to exploiting others.

If prices in any industry are, by general policy, kept

below the cost of production, the deficit is made up, not by an indefinite expansion of short-term credit from the Bank, but by an advance of new capital. This is of course a subsidy, and is recognized as such. It must be balanced in the national financial plan by an excess profit somewhere else. The United States and other nations likewise grant subsidies—as to shipping interests or beneficiaries of a protective tariff—but we are not so careful to balance the books of the national economy, or to grant subsidies in pursuit of a coördinated national objective. In Russia it is not contemplated that any industry shall continue to be subsidized permanently.

Once profits are made, they are used according to plan. Ten or twenty per cent may be used directly for the benefit of the workers in the industry in question, as for housing, restaurants, kindergartens, nurseries, clinics and the like. The State takes ten per cent as a tax. Twenty per cent goes toward expanding the operations or equipment of the industry. And the rest goes into the general financial budget for use as new capital wherever it may be most needed. It is by this means that the Soviet Union has been enabled to save and reinvest so much and so rapidly. The combined control of wages, prices and profits has enabled the use of the energy of the country temporarily in building up basic industry instead of in making more goods for use by the general population. The same control can reverse this policy any time when it is so desired.

In the preceding chapter we saw that, in planning for war, the United States was successful largely because

the government had mobilized a large amount of purchasing power. In Russia, though political dictatorship plays a large part, the mobilization of purchasing power is obviously important as an economic instrument of carrying on the daily life of planning. Individual consumers' purchasing power is mobilized through the co-operatives, which are thus enabled to present a schedule of consumption to productive industry. The government, by its control of credit and capital investment, mobilizes the purchasing power of the several industries for raw materials, for one another's products, and for imports.

Likewise, Soviet Russia has a means of increasing purchasing power as her production increases. She can distribute it in wages, or collect it in profits to be paid out again for more production, as she pleases. It is difficult to see how any crisis could possibly arise from such a thing as general "overproduction" in the Soviet economy, if it can be operated in practice as in theory it is laid out.

And Russia has an objective which is capable, both of arousing general enthusiasm, and of furnishing concrete bases of judgment for its planning decisions.

These are the outstanding lessons to be learned, so far, from Russian planning. And the whole object of this chapter is to derive such light as we can from what Russia has done. There is no attempt here to approve or disapprove, to predict success or failure, even to follow more than the main outlines of what is, in fact, a highly complex and rapidly changing system. But, from

a cool distance which permits a large perspective, it would appear that we can perhaps make better use of the Russian experience than many have thought. Though in many respects the Soviet system differs widely from our own, the economic and engineering technique which it is using are not wholly foreign to thought and practice in North America.

## CHAPTER IX

### ONE WAY TO BEGIN

IT MAY seem strange that, in a book on social-economic planning, definite suggestions concerning a planned system in the United States are reserved for the chapter before the last. But if the author has accomplished what he intended, he has made clear why this should be so. It would be futile to lay out "a plan" for a society in the same way that an architect can make a set of drawings and specifications for a building, in which all details of measurement, of stress and strain, of material, are set down in advance and have to be followed in detail. Social planning is not a hard-and-fast, completely predetermined scheme. It is a method, a technique, a way of attacking problems. It develops in practice. It must be learned, and like other disciplines of education, it can be learned only by doing.

Least of all could any individual write a valid national plan. Successful planning is not only a method, it is a social process, in which whole communities must participate. They must have the will to coöperate for common ends. Large objectives of planning must be defined and generally accepted. These must be translated into more detailed goals and standards for action day by day, not by one man, or even by a central board only, but with the aid of agencies which ramify throughout society, from the largest unit to the smallest. This book has been

an effort to explain planning, to convince readers of the need for it, to explore some of its conditions and its possibilities. Only when these things are understood can we have the will to plan nationally. Only when we have the will, can the necessary goals be chosen and the necessary machinery be set up. And only when we have done that, can we proceed to learn national planning in the way in which it must be learned—by experiment, by success and failure, by continual modification and development. Even our objectives are likely to be changed in this process. The final result cannot be foreseen clearly from the beginning. All we can do is to recognize the need for a beginning, and to outline in a large way how that beginning may be made.

Many suggestions for planning have been published in recent months, both in the United States and abroad. An interesting volume might be written summarizing them, criticizing them, distinguishing them, one from another. We have had from Stuart Chase a suggestion for a Peace Industries Board paralleling the War Industries Board, from Charles A. Beard a suggestion for industrial syndicates under a National Economic Council, regulated under the theory of public utility control, and supplemented by planning agencies for agriculture, public works, foreign trade and rebuilding of cities. Schemes for planning by separate, autonomous industries under a minimum of government control, and organized according to the principle of the trade association or cartel have come from numerous business sources, notably Gerard Swope and the United States Chamber of Commerce. Less detailed advocacy of national plan-

ning has been put forward by the American Federation of Labor and other bodies.

A Committee of the National Progressive Conference, convened early in 1931, has published a memorandum on Long-Range Planning for Stabilization of Industry. This Committee, of which the author is a member, worked under the leadership of its Chairman, Professor J. M. Clark of Columbia University. Numerous planning programs have come from British and other foreign sources. Some of these schemes are much better than others; there are useful suggestions in most of them. But instead of discussing and comparing them, it will be well to begin by setting up the general objectives with which a plan in the United States might begin. For, unless we know what we are seeking, we cannot tell very accurately what measures and what agencies we need with which to find it.

The fundamental observation which points to most of the faults and disparities of our economy is that it might produce many more goods, and much more human welfare, than it does. We have the natural resources, the engineering skill, the plants and machinery, the labor supply, to increase the average standard of living steadily and fairly rapidly. It is now commonplace to speak of the absurd contrast between "overproduction," or over-equipment to produce, almost every necessity and luxury of life, and the fact that many persons are in want. This fact sets the stage for our effort.

Our late "new era" of supposedly endless prosperity had two pretensions which, though they were far from being realities under an unplanned order, may be taken

as natural starting points for a plan. Their desirability has gained wide acceptance. One is the "economy of high wages"; the other, the stabilization of industry and employment. The failure to effectuate them has caused surprise among the strongest adherents of an unplanned economy. Among the general population it has caused breadlines, broken families, suicides, rickety children, scurvy, tuberculosis, hopeless and disordered minds. It is worth while to challenge the business order to get down to brass tacks about these pretensions. Either it should abandon them or else seriously set to work to make them good.

Precisely what do we mean by "the economy of high wages"? It is possible to interpret the phrase in an absurd way. This is to assume that individual employers, by intention and choice, pay high and increasing wages, in order that the wage earners may buy back what the employers produce. There are two objections to this interpretation. The first is that it does not happen. Some employers do not pay as high wages as they can—it is not to the immediate interest of a collar manufacturer, for instance, to increase the wages of his employees so that they may buy more food and pay more rent—and some employers cannot pay high enough wages. The purchasing power of the public is, furthermore, a function not only of its earnings but of the prices it has to pay. The second objection is that it puts the cart before the horse by assuming that the main object of society is to enable employers to sell whatever they happen to want to produce, whether it be a patent medicine, a useless gadget or a jerry-built house.



From a sensible point of view, the "economy of high wages" means that, since we have the technical capacity to produce enough for everyone, everyone ought to have a large enough income to buy what he needs. We should run our society on the basis of large production and engineering economy rather than on the basis of minimum production and scarcity profits. More than that, we shall have to run it so if we are to run it without disastrous breakdowns, because our industrial plant is set up for mass production and mass consumption. The quality and usefulness of the goods consumed also must be considered, if we regard the task as that of raising standards of living rather than merely as a selling problem. And we must remember that we are concerned not only about the wage earners' incomes, but about the salary earners' and the farmers'.

Industrial stabilization is certainly not incompatible with the economy of high wages. We cannot maintain purchasing power without sufficient employment. Nor can we maintain employment without distributing enough purchasing power. Moreover, we want a progressively improving standard, as the possibilities of production advance. More goods and more leisure—not penury and unemployment. Even if we could get it, we should not want what some conservative writers imply by stabilization—a steady operation of our economy on a dead level of purchasing power for the average consumer.

How far could we go in the direction of higher living standards if we could properly organize production and

consumption, given our present equipment of natural resources, labor energy, productive equipment and technical skill? We can only guess, before making a more detailed study, but experts hold the opinion that we could go far. Mr. Ralph E. Flanders, Vice-President of the American Society of Mechanical Engineers, has stated that we could smother the population with an avalanche of necessities and luxuries such as "no utopian dreamer in his busiest slumbers ever dreamed." We do not want a smothered population; before the avalanche of goods had overwhelmed us we should want more leisure, more recreation, more chance for individual creation. But let us suppose, for example, that it is possible to set a temporary mark, to be achieved in ten years, which would furnish a minimum income of \$5,000 a year, for a forty-hour five-day week, and which would make sure that nobody but the unfit or those in transit from one job to another would be denied the opportunity to earn and work this much. We could not hit this mark without at least doubling the national income. The average income per person gainfully employed has recently been, even in prosperous times, not over \$2,000. A modest goal, in view of the living standards generally called American, and in view of the technical possibilities of industry—but one attainable only by gigantic endeavor! It would be capable of being used as a criterion of policy. To it no department of national action, no problem of means and measures, would be irrelevant. And until a goal like this is achieved, questions regarding the advisability of a further extension of leisure, or additional

production of luxuries unavailable to those with incomes below \$5,000, disappear from the picture. The nation as a whole is in no danger of being surfeited with material prosperity before something like this is achieved.

How far we were from universal prosperity even in the period before the depression may be inferred from the following table, taken from Dr. Paul H. Nystrom's book, "Economic Principles of Consumption," and setting forth an estimate of the standards of living purchasable with the incomes of various percentages of the population in 1927. Of course any estimate of this sort is largely guess work, pending better statistical information, but this one is pretty good guess work.

	APPROXIMATE POPULATION OF GROUP	PERCENT OF TOTAL POP- ULATION
Public charges	1,000,000	0.8
Tramps, work-shy, etc.	2,000,000	1.7
Poverty level	7,000,000	5.9
Bare subsistence	12,000,000	10.1
		<hr/> 18.5
Minimum for health and efficiency	20,000,000	16.8
Minimum comfort	30,000,000	25.2
Comfort	20,000,000	16.8
Moderately well-to-do	15,000,000	12.6
		<hr/> 71.4
Well-to-do	10,000,000	8.4
Liberal standards of living	2,000,000	1.7
		<hr/> 10.1
Total population . . . .	119,000,000	100.0

When even during "prosperity" about 18.5 percent of the population are at the level of bare subsistence or below, and 16.8 percent more at the minimum of health and efficiency, while one-fourth are only at the minimum comfort level, there is plenty of opportunity for useful goods to be produced and sold, if only the prospective purchasers can somehow be furnished with enough money to buy them.

During the last period of prosperity (1923-1928) we developed what looks like a fatal lack of balance between industrial production and popular purchasing power. If we had official bodies paying attention to this problem, and gathering good statistics on it, we should know more certainly what the facts were. But the best estimates we do have work out about as follows:

### *Purchasing Power*

Half the farm incomes (in terms of purchasing power) did not increase, being as low as before the war. The other half increased only slightly.

Manufacturing wages were lower in 1928 than in 1923. Mining wages were lower. Transportation wages were slightly higher. Building wages were higher. Altogether the average annual real earnings of wage-workers probably increased no more than 5 percent from 1923 to 1928; they increased, that is, at the rate of not more than one percent a year.

At the same time, there was a volume of unemployment throughout these years which seemed unduly large for a prosperous period. Manufacturing, transportation,

mining and agriculture all had far fewer people at work in 1928 than in 1923. This further limited purchasing power.

### *Production*

Industrial production increased at the rate of about 4 percent a year, or four times as fast as wages.

Railway ton-miles (tons carried one mile) increased at the rate of about 4 percent a year. This indicates a growth of distribution parallel to the growth of production.

Here is a puzzle. How could we keep on increasing our production and distribution of goods four times as rapidly as the increase of real incomes with which to buy them, in the hands of farmers and wage-earners? Someone will answer, "We couldn't. That was proved in 1929." But, waiving that contention for the time being, how could we do it for five years?

Before we try to solve that puzzle, it would be well to pay some attention to another element of purchasing power—namely, profits. Industrial profits, during the period, increased at the rate of about 9 percent a year. That is, profits not only grew much faster than wages and farm incomes; they grew faster than the production and distribution of goods. This estimate fits into the whole picture very well. It took fewer men and women to manufacture and distribute an increasing amount of goods. The wages which these workers received were lowered, or raised very slightly. Therefore the cost of

the labor for each unit of goods was greatly reduced. But prices were not reduced so rapidly as were labor costs. In consequence, there was a much larger margin between cost and gross receipts of the producing companies, which was available for profits, interest and rent.

Now we have part of the answer to our puzzle. The recipients of profits probably bought some of the extra goods which farmers and wage-earners did not have the money to buy. Those individuals who received the profits in the form of dividends or otherwise undoubtedly spent a lot of extra money for automobiles, houses, furs and clothing, jewelry, parties, beauty treatments and the rest.

But the bulk of the dividends goes to a remarkably small part of the population. Let us examine the figures for 1930—which, though it was a depression year, showed a high total of dividends paid. This was partly because some of the dividends came from the earnings of 1929, and partly because most corporations had piled up large reserves out of which they continued to pay normal dividends, when these were not earned. According to the Statistics of Income published by the United States Treasury Department, the total of dividends paid to those submitting income tax returns was \$4,089,612,000. Of this sum, over \$3,621,000,000 or 88 percent went to 763,357 persons who reported net incomes of \$5,000 or more a year. The other 12 percent went to the 2,613,195 persons reporting net incomes of under \$5,000: more than three and one-half times as many persons, receiving only one-eighth as much dividends. Only

3,376,552 persons had incomes large enough to be reported at all—as opposed to over 48,000,000 gainfully occupied in the country. Probably only a small proportion of the total dividends paid in the nation went to those whose incomes were too low to be reported. A similar story, though in less marked proportions, is told by the figures of income from partnerships.

It is absurd to suppose that 763,357 persons—or even 3,376,552 persons—receiving the bulk of the increase in distributed profits, could have purchased enough extra goods for their personal use or that of their families to absorb that great gain in the aggregate production and distribution of the nation. This might have happened in a mediæval or feudal state, where everything was made by hand, and a rich minority could absorb everything that might be produced above a bare subsistence level. But to-day our great industries are geared to quantity-production—and in many cases to mass-production. No seven or eight percent of our population could, by their demands for consumable goods, keep these industries expanding very long. A four percent over-all increase in output annually, concentrated among the favored eight percent of people, would mean that their scale of personal consumption jumped at the amazing rate of about 50 percent a year. The rich minority might conceivably have achieved this expansion of living—but hardly by buying more cars, safety razors, gasoline, food-stuffs, houses and the other end-products of our great industries. They would have had to buy hand-made gowns, jewels, yachts, pre-war vintages, and the

like—rare, expensive items which do not weight heavily in an index of aggregate square yards, bushels, tons, and cartons produced.

So our puzzle is not yet solved. We shall have to call in another factor. The small minority who received the additional profits of course did not spend all their extra income for consumable goods. They invested a lot of it in securities—stocks, bonds, real-estate mortgages and the like. The demand for these securities was so great that they were issued in enormous quantities. The money so spent financed the erection of large numbers of industrial plants, apartment houses and business buildings. It bought a vast amount of new machinery. That part of it which was loaned abroad stimulated the production of goods for export. The powerful magnet of large profits attracted an immense new capital investment. This investment itself came to a large extent out of the profits made. The flow of investment helped to keep up the volume of production—not in goods to be consumed, but in more permanent goods, many of which were designed to be used in still more production.

To the amount expended for durable goods through individual investment must be added an almost equally large amount so spent by business concerns themselves, out of their undistributed profits. Great companies accumulated large surpluses and reserves, which they either invested directly in new productive facilities, or used to buy the securities of other companies, which thus had larger funds to invest.

Still the picture is not complete. The farmers and



wage-earners and small salary earners probably increased their purchases somewhat more rapidly than their cash incomes grew. They were enabled to do this by a liberal extension of instalment and other consumers' credit. Figures on this subject are not complete or reliable, but there is little doubt that many a family which had never before borrowed money with which to buy anything, now did so to finance the purchase of a car, a house, a radio, or an electric refrigerator. This must have temporarily stimulated the production of consumers' goods. But, also, there must have come a point where it was difficult further to stimulate consumption and production by this means, because it became more difficult to find new families who had not already borrowed all they could safely be allowed to borrow.

Finally, we have the expansion of speculative credit. Thousands of persons found it easy to buy stocks and bonds by borrowing the money wherewith to do so. They bought, not merely out of their cash incomes, but out of what they could borrow. As their demand raised the prices of securities, they could finance further borrowing and further purchasing, by means of their speculative profits. Shares which had risen in value were used as collateral for larger loans wherewith to buy more shares. The credit which played so large a part in this speculative boom came, in the first instance, from the banks, whose large gold reserves permitted great expansion of loans. Then it came from the surplus profits of great corporations. These companies could make more profit by lending money to persons who wanted to

speculate in their stock, than they could by using the money in producing and selling more goods at a profit. Money to be loaned to speculators was also attracted from Europe and all over the world. This expansion of credit further increased our production of buildings, factories and machinery, in spite of the fact that much of it resulted merely in rolling up figures on the brokers' blackboards.

All the while, the basis of our economic pyramid—the purchasing power in the hands of great bulk of the population, the farmers and wage-earners—was scarcely increasing at all. Is it any wonder that the whole structure became top-heavy? Is it any wonder that we found ourselves, at the end of the period, with goods which could not be sold, and with farms and buildings and factories and machinery which could not be used, because there was not sufficient market for their products? Is it any wonder that there became necessary a drastic reduction of profits, of values of stocks, bonds and mortgages?

The above is not submitted as a complete and authenticated explanation of the depression. There are many disturbing influences which are not included in it. We should have to know far more than we do before we could be absolutely sure that this is even a reliable outline of the course of events. But we are reasonably sure that it points to certain important areas of maladjustment. If we had the means of regulating these areas more intelligently, we should at least be in a better position to know whether such a rough picture as this was

justified. Few will deny that the following goals are desirable.

1. Wages and farm incomes must be increased as ability to produce what is meant to be bought with these incomes increases.
2. The investment of new capital in productive facilities must be adjusted to the purchasing power which is going to be available to absorb the product of those facilities. It must not be, first expanded too rapidly, and then contracted, as it now is, but must proceed regularly.
3. The extension of credit to individuals, investors or business concerns must be related to reasonable expectations regarding the use of that credit in actual consumption or production. Speculative expansions and contractions in credit must be avoided.

These aims are inter-related. We can scarcely achieve any one of them without at the same time achieving the other two. The first aims of a national planning machinery in the United States might well be, therefore, to increase the lower ranges of income, to regularize new capital investment, and to exercise intelligent control over credit expansion.

How may these aims be sought? What is it that keeps the low incomes down and creates the rapid growth of profit which leads to over-expansion of investment and the inflation of credit? We can, if we like, give abstract answers like "the capitalist system" or "private ownership of industry" or "the profit system." On the one side radicals may blame the greed of profiteers. Or, on the other side, conservatives may blame the incapacity of

individual wage-earners or farmers or small employers. But answers like these are not enlightening without further specification. What are the particular characteristics of our system which lead to these particular results? Not unless we know about these shall we know what, specifically, has to be done to improve the situation, and not until we try to do that shall we be able to prove whether greed or incapacity must necessarily stand in the way of what ought to be done. It would be one of the first tasks of planning agencies to investigate these matters and try various expedients to remedy them.

Before any experiment, however, it is possible to make some pretty good guesses, as follows:

### *Wages*

Wages are low in some industries because, in the industries in question, there do not exist thoroughly organized and well led labor unions, independent of management, to standardize the rates paid throughout the industry and push them up to the highest point which the industry can afford. Even a well disposed employer is not likely to pay substantially more than is paid by competitors. Competition in holding wages down must be eliminated—as it can be eliminated by labor organization and collective bargaining. This is an old recommendation, but that does not make it any less essential under a planned system.

The utmost that could be done by collective bargaining alone, however, would not remove important obstacles to the increase of wages. In almost every indus-

try there are some establishments which could afford to pay more than other establishments. The general level of wages in the industry cannot be raised above what those establishments having the highest costs can afford to pay. An important job would therefore be to study the relative costs of the various establishments, see what could be done to lower the costs of the less efficient, and, after the utmost possible had been done in this direction, transfer as much production as possible to the lower-cost concerns and thus eliminate the higher cost ones. If costs in an industry could be more nearly equalized on the lowest level existing, wages could be substantially increased without raising prices, and aggregate profits would be correspondingly reduced. It is the *marginal concern* which creates many of our difficulties.

We also have whole industries which are marginal in the sense that they pay low wages, create unemployment, and thus lower general standards. Such industries are bituminous coal mining and cotton textile manufacturing. Only drastic reorganization of these industries to eliminate cut-throat competition, inefficient practices, overinvestment and overproduction could solve their difficulties. Although there is no such thing as general overproduction in relation to the real needs of the population, there is little question that some industries like these are equipped to produce more than the population could conceivably use.

In any attempt to increase purchasing power we must consider prices as well as wages. To charge the consumer for higher wages is not to increase the total pur-

chasing power of consumers. It would do no good in the long run to have high wages in a given industry, provided the only result were to keep up the prices of that industry's product, to such an extent that the rest of the population would suffer. And some industries undoubtedly charge more than they ought, even though the wages they pay are not high enough. They do so because for some reason they happen to be in a favorable competitive position in relation to other industries. In some cases their prices might be lowered at the expense of profits; in other cases more efficient practices would be required. Cases in point are probably the public utilities furnishing electricity and gas (too large profits and some inefficiency) and housing construction (which needs thorough reorganization, beginning with regional planning, if it is to produce good housing within the means of the majority.)

### *Farm Incomes*

Raising farm income is one of the toughest problems which would face a planning organization. It could not be done by decree, or quickly. It requires organization of the various branches of commercial farming to the end that

- (a) the most efficient and lowest cost methods and producing units would be used and
- (b) output would be adjusted to the demand for the product at a reasonable price.

A thoroughgoing and intelligent land utilization policy would be an essential basis, to limit cultivation of land

which should be in forests or otherwise used, and to devote cultivated land to the uses for which it was best adapted. Regional and national agricultural planning organizations could work out and apply this policy, besides studying markets and demand, and could draw up production schedules. We have an excellent basis for such organizations in our wide array of expert farm services with their statistical and technical work (especially the Agricultural Outlook Report of the Department of Agriculture) in farm coöperatives, credit agencies, forestry and park services, and the like.

### *Investment*

The basis of any sound investment policy is better accounting and statistical knowledge than we have. We need to know currently the amount and sources of investment funds. They come largely from

- (a) corporate and business surpluses,
- (b) individual savings, as in savings banks, insurance companies, building and loan associations and individual purchases of new securities,
- (c) bank credit,
- (d) governmental construction funds.

We need to know currently the uses of these funds in new productive plant and equipment in the several industries, in new building and construction, etc.

As a guide to saving and investment, we need estimates of future consumption of the several goods and services to be produced by new investment. These estimates

could be built on a detailed survey of popular purchasing power and a concrete program of increasing it.

### *Credit*

With the above information we should be in a better position to know whether, and how much, credit was being unduly expanded or contracted, and whether it was being used for the right purposes.

There is no region of national economic policy which would be foreign to the effort to achieve these ends. Taxation and governmental expenditures would be closely related to it. The government takes income and spends it. It has a choice of taking income in such ways that popular purchasing power will be decreased (as in sales taxes and tariff duties) or in such ways that the incomes of the richer sections of the community will be decreased (as in income taxes, inheritance taxes, taxes on profits). It can spend money for new permanent investment (as in public works or housing) or in performing current services. It can do all these things with much less regard for current market demand than can private business, since most of its income does not arise from sales in the market, and most of its expenditures can be made regardless of opportunities for profit. These facts give the regulation of taxation and government expenditure a large place in restoring economic balances when these are upset by the operations of industry.

Foreign trade and foreign investment are also closely related to the process. We ought to know what we need



to import, and what we can best export to pay for these imports, in order to fulfill our domestic requirements for a rising standard of living. We ought to know how these requirements fit in with the other elements in the international balance of payments. We ought not to do absurd and self-contradictory things like investing capital abroad without being willing to accept in return the goods necessary to pay the interest on the investment.

It is clear that if tasks like these are to be accomplished, we need certain kinds of machinery or organization with which to accomplish them.

There must be a central administrative organ of some sort for each important industry—and by industry in this connection, is meant not merely “productive” industries like steel and automobile manufacture, but transportation, retail distribution, banking. Single industries must be got under control, if we are to do things like establishing rising wage standards without increasing prices, relating production and new investment to estimated demands for consumption. And each of these central administrative organs must have its planning agency, its statistical staff.

The more progressive elements of business are already willing to go a step in this direction. Mr. Gerard Swope's plan, and that of a Committee of the United States Chamber of Commerce, contemplate revising the anti-trust laws to allow business units to combine in controlling prices and production. The difficulty with these schemes is that the type of control recommended, and its probable purposes, are not necessarily adapted to the

aims outlined at the beginning of this chapter. Trade associations such as we have in the United States are undoubtedly an approach to the sort of thing required, in respect of their statistical and accounting work and their efforts at standardization. But when business men in a single industry combine to control output, the result often is that they are content with reducing it in order to keep prices up. If every industry reduced its output and held prices up, the total effect would be the very opposite of that desired—which is an increase of consumption and consequently an increase of production.

An agreement among business units to restrict output, now illegal in this country, but practiced in Germany and France under the name of the Cartel, usually follows the practice of setting a total maximum output, which is allocated among the concerns participating in the agreement, by a quota system. The high-cost concern gets its quota as well as the low-cost one. This tends, not to eliminate the high-cost concern and thus reduce the spread between wages and selling prices, but to keep the high-cost concern in existence, and maintain what is likely to be an extravagant rate of profit for those having the lower costs. This is clearly undesirable—if it works. Often it does not work, because of the temptation on the part of the individual competitors to break the agreement. To do nothing except remove the restrictions of the anti-trust laws would thus be unsatisfactory. In some cases it would work—to the general disadvantage—and in other cases it would not work at all. In some

cases, it is possible that a trade association or cartel under adequate public regulation would improve the situation, but this would not be universally true.

Another defect in this program of single-industry control is that it does not go far enough, because it provides no machinery to oversee the important relations among industries, between distribution and production, between these things and credit and investment.

There is needed a National Economic Board at the top, representing the whole public. This would correlate the plans and practices of the various industries with one another. It would bring together the relevant statistical material from all sources and fill in the gaps. It would work out a general plan for raising the lowest incomes and regulating the flow of investment and credit. It would turn its attention, like a searchlight, on those areas and industries which were causing trouble and obstructing the general program. It would advise government as to its responsibilities in the carrying out of the program.

This Board should be composed, not of bargaining representatives of various interests, but of qualified experts representing the nation as a whole. It should, of course, have an adequate staff of economists, statisticians, engineers and accountants. As a representative of the general interest, it ought to be established by law, with certain duties and powers. It should be supported by governmental appropriation, and appointed by the President, with the advice and consent of the Senate.

One of the first duties of a Board like this would be

to help in working out the best form of organization for each industry, and represent the public in the drafting of that organization. It would, for instance, call together representatives of the soft coal mine owners, the consumers of coal, the coal technicians and the organizations of labor in coal. It would say to them: "Your industry is, and has been for years, one of the chief obstacles to a genuine prosperity for the nation. It must be organized to pay higher wages without charging unduly high prices, give steady employment, and offer efficient service. What needs to be done to control your industry and make it a sound unit in a national economy? We are instructed by Congress to aid you and your experts in formulating a plan of organization for these purposes. We are delegating our own experts to advise you at every stage of your researches and deliberations. We will give you two years to produce a proposal, though we should like one as soon as possible. When your proposal is ready, we will either approve it or disapprove it, having in mind the objectives to be sought. If you do not produce a plan, or do not produce one which we can approve, we are instructed by Congress to make one of our own. If legislation is required, we shall recommend to Congress the measures we approve. After the coal organization is set up, we shall continue to keep in close touch with it, in order to see that the objectives are approached, and in order to correlate your annual plans for wages, employment, production, prices, profits and investment with those of other industries."

In tackling an organizing job of this kind, the Board

would have in mind the possibility, not merely of a trade association or cartel, but of large consolidations under some form of public regulation, and of complete public ownership, by such a device as a publicly owned corporation which would buy out the existing individual owners with debentures. The Board should not be limited in its ultimate choice by any bias in favor of "private enterprise" on the one hand or in favor of "socialism" on the other. It should choose the form which, after thorough examination, seemed best suited to the ends in view. My own opinion is that in this case, public ownership would be found most desirable, as in other basic industries.

The Board would, in the same manner, put up to the construction industry and its chief customers the task of organizing to prevent the wide swings of activity which now do much to shove us to heights of inflation and then plunge us down again. It would put experts to work in order to see what would have to be done to provide good housing, in healthful and pleasant surroundings, for the majority of the population which now cannot afford it. This is one of the greatest unused opportunities to provide a better standard of life and, at the same time, furnish a large amount of employment in the building industry and those which supply its materials. It is a magnificent way to use surplus savings, instead of pouring them into unneeded and unused equipment.

So the problems of each productive industry would be approached, industry by industry.

The banking system would have to be strengthened. We should have to work out a system by which short-

term credits would be related to budgets and production plans in the several industries. We should have to make sure that the total amount of credit expansion was closely related to the total expansion of production and the need for purchasing power. And we should have to plan new investment.

We want enough new investment to be able to produce the desired goods; we do not want so much as to produce more than can be bought at expected income levels. We want the investment to go into the production, first, of the necessities, next, of the luxuries. We do not want to make surplus Cadillac sixteens and commuter airplanes while the wage earners have not sufficient decent housing. We do not want investment to proceed in a wave-like motion through time, creating successively feast and famine. In so far as private investment may do this, after planning of production schedules for whole industries in relation to expected purchasing power, we want to balance it by public investment. Such a board must know where savings arise, how great they are and how far credit is temporarily substituted for savings. It must be close to any credit control we may exercise through the Federal Reserve System; but its main job will be organization of investment. Now we do not even know how much we save, how much we invest or where it goes.

Private investment now proceeds through two main channels. One is the floating by investment bankers of new security issues which are sold more to serve the profit of the bankers than to serve the need of society

for new productive facilities in specific directions. The other is the reinvestment of profits by industrial companies themselves. Both will have to be planned and regulated in the public interest. Publicity given to future production programs may help in both cases. But something further will probably be necessary. Security issues ought to be subjected to the approval of an investment division of the National Planning Board. There is a partial precedent for this in the present submission of foreign loans to the Department of State—though this supervision is exercised for political purposes and not in accordance with social and economic plan. And use of corporate saving must be regulated. Perhaps it will have to be taxed away and allocated by the investment authority. There may be occasions when the required action is to prevent corporate saving from arising in such large volume, by reducing the prices charged or raising the wages paid, in the industry in question. Possibly industrial combinations will themselves, in view of the production programs laid out, avoid overinvestment.

Distribution would be an important field for organization. The Board would have to get the chain stores, the department stores, the mail order houses to combine on a plan for reducing distributive waste, for better standardization and specification of goods in the interest of their usefulness to the consumer.

What about the apparently increasing spread between retail and wholesale prices? How can the presumably increased efficiency of large-scale merchandising be

made to serve the public interest to a greater degree? We need fewer senseless varieties, less competition in style changes. We must establish scientific testing and publicity of its results in consumers' goods, similar to that now done for government purchases by the Bureau of Standards, and for a relatively few consumer members by Consumers' Research, Inc. There would be needed, also, a means of estimating future requirements of consumption, area by area. This would be an extension and completion of market studies already in existence.

There would have to be, under the Board, a labor administration. It would oversee a nation-wide system of employment exchanges to bring workers and jobs together, and currently provide the facts concerning unemployment and labor shortages. It would have a training department to prepare for employment elsewhere any group of workers who had to be transferred from an obsolescent industry or one in which mechanization was so rapid that full employment could not be furnished by expanding demand. It would administer unemployment insurance to tide over unavoidable periods of joblessness. This would, in itself, provide a stabilizing influence by maintaining the purchasing power of the unemployed. It would keep close tab on wages and hours, so that the Board would know whether its general wage policy was being carried out. The labor administration would of course work closely with the labor organizations. The growth of these should be encouraged; legal restrictions on their expansion should be removed.



Under a well planned system, there ought to be no grave problem of "technological unemployment." Everyone can be kept busy for normal working hours providing the goods and services needed to bring the mass of the population up to a moderately enjoyable standard of living, if only we can find the means of sufficiently enlarging purchasing power. If technical advances go so far that we really produce more than people want, no matter what their capacity to pay, shorter working time can be substituted for larger production. This reduction of work should be equitably distributed. It should not be concentrated among a group of totally unemployed, as it is now. It should not be accompanied by reductions of wage income, and of course, under the assumed circumstances, it would not have to be—since technical advances permit the production of more goods in less working time, and hence at lower cost. And we should have to consider whether, having achieved a universal five-day or four-day or three-day week, as the case might be, further reductions of working time should not take the form of retirement from paid work at an earlier age, and on an adequate pension. We need not fear indefinite technical improvement, if only we learn to manage it. Every time work is made easier, we can enjoy the result in more product or more leisure time, as we choose.

Various regional planning agencies are necessary, to lay out our facilities properly on their geographical base, to furnish the proper setting for and to correlate our houses, factories, roads, water-supplies, forest and farm

areas, recreation regions, railroads, power lines. Thus the work would be decentralized geographically as well as industrially. The beginnings of such bodies are already in existence in several states and regions.

Could planning succeed in an area as small as a nation? Would not international planning also be necessary? The answer is yes to both questions. Even a nation which is a far smaller part of the world economy than the United States, a nation, for instance, like Great Britain or Japan, which has fewer national resources and is absolutely dependent on foreign commerce, would undoubtedly fare better if it had its own affairs under control and intelligently planned than if it did not. It would fare better thus than otherwise in an unplanned world, provided it did not pretend that it could be a wholly self-contained unit and go mad with protective tariffs and trade restrictions. World planning, however, would be necessary for anything like a complete solution of the economic problems. But world planning is inconceivable without national planning as a basis. If every nation really knows what it wants to buy abroad and what it wants to sell there, what its surplus or deficit of capital is, and consequently what its trade and investment policy ought to be, adjustments among nations are possible, even though at times they may be difficult. But when national economic policies are dictated by private and partial interests as at present, when nations pursue simultaneously inconsistent aims—such as selling without buying, investing without accepting

payment in goods—no adjustment of any sort is possible.

The United States is less dependent on international trade than any other great nation except Russia. It is, of course, heavily dependent on it in certain respects—as for the sale of cotton and wheat, and the purchase of rubber, coffee and sugar. If we had our own economy under control we should be infinitely better off than we are, and should upset the rest of the world less than we do. It is absurd to say that we can do nothing at home. We have enough to do here to keep us busy for years. We do not have to wait for others to act, or for a world organization to arise. Nevertheless, one of the most important tasks of our own planning would be to establish a policy regarding foreign trade and investment, to forecast changes in the world situation, to attempt to work out, with other nations, a mutually satisfactory adjustment of real interests.

A general protective tariff is clearly unjust and fits into no plan except that of a few favored manufacturers. But can we support merely a laissez-faire policy like that of universal free trade? We may abolish import duties, but we shall, in addition, have to rationalize international trade. We want to achieve, all over the world, the same sort of purpose we are seeking at home. We want to raise standards of living and prevent disturbing collapses of activity. That will involve using the resources of the whole world in the most efficient manner. There will probably have to be created a new technique of rationalized import and export quotas. Foreign in-

vestment will have to be adjusted to needs of production, export and import. Arbitrary payments like those for reparations and war debts cannot be allowed to interfere with world-wide efficiency of production and exchange. As planning grows in other nations, adjustments of this nature will be easier to achieve, but in the meantime something may be done. We should not, for instance, during prosperous times pour investments into government bond issues of weak countries for unjustified expenditures in public utilities, and then embargo loans to Russia for a solid program of increased production of necessities, when Russia needs these loans in order to increase her purchases from us and when we need the outlet for production which the purchases by the Russian government would supply.

Would planning of the sort here suggested be voluntary or compulsory? Would it require a dictatorship, or would it not? The answer cannot be given, at the beginning. First you create a National Board, with power to accumulate the necessary facts, to lay down the outlines of a national plan. This Board has not, at the beginning, the power to impose a new organization or a production schedule on any industry. But it is authorized to work out, in consultation with industrial councils representing the several industries, plans of organization adapted to the national objectives. It is empowered to accept, reject, or revise what the industries suggest, or to make independent recommendations of its own. The recommendations of the Board, if legislation is re-

quired—as it will be in most cases—go to Congress. Congress then may enact the recommended legislation. Recommendations may range all the way from the setting up of trade associations with greater powers, to complete public ownership. In other words, we say to the Board—recommend whatever is required. If voluntary action will do, try that. If it will not do, ask Congress for something more drastic. The Board thus makes in detail the decisions as to what kind of control it thinks is necessary, and asks the final legislative authority of the government to set up the machinery embodying its decisions.

This is an attempt to apply a scientific, experimental method to the solution of the question concerning how much compulsion it is necessary to exercise over business in effectuating national planning. It does not make the decision wholesale, and in advance of investigation and trial. It does not bar the most complete socialization which any socialist ever advocated. Neither is it in theory committed to public ownership or even regulation of a single industry. It is supposed to be guided, not by prejudices or abstract political principles, but by the criterion of what it is necessary in practice to do in order to achieve the ends desired.

Possibly an approach of this kind is not possible, or not desirable. That question will be discussed in the next chapter. Here the attempt is merely to be clear as to what the proposal is.

The planning activity here sketched would, if it succeeded, fulfill the requirements learned from our war

experience with planning. It begins with an objective capable of arousing enthusiasm—a war against poverty, unemployment, insecurity, an expansion of the standard of living, a great national effort toward a finer civilization, a desire to do a good job and use properly the tools we have. By its devices to increase purchasing power and predict consumer demand, and its control of expenditures for new investment, it builds up the economic equivalent for political police power. It can decide questions as to how much we need to produce and in what order. It can point out to industry the necessities inherent in the situation—the facts which, in the end, exert authority. For the very essence of planning is not just someone's capricious desire to plan, but conscious adjustment to the situation created by modern technology.

## CHAPTER X

### THE FUTURE OF PLANNING

LET us thumb over the pages of this book to find out just what route we have taken, and where we have arrived. When we have done that, it may be possible to see a little more clearly where we are going.

We began with a picture of society ill at ease and thwarted in the new environment it had created. People were profoundly disillusioned by the war and by what followed; they felt the need of a frame of reference, a set of dependable standards which would give their lives meaning. They were disappointed by the cheats and failures of easy-going Victorian millennialism, and of the ensuing Wilsonian liberalism. But the certainties which they needed were sought in delusive returns to the dogmas of earlier cultures, to religious and patriotic fundamentalism, to racial prejudice and exclusiveness. Even the more intelligent and sensitive found refuge in escape to non-social and negative attitudes. The old society reëstablished itself for awhile in the cult of prosperity, misnamed a new era. But this turned into ashes in the mouths of those who had savored it, with the coming of one of the worst depressions of history.

Why had those few who wanted change to something

really new been so unsuccessful in their efforts? Their inability to create a victorious faith and attract an invincible following may be traced to the unmanageability of our civilization, which lent a sense of futility to all public-spirited endeavor. This prevented many of those whose support would have been necessary to bring about improvement from making even an effort in that direction. Politics, democracy and reform were discredited; industrial executives, far from being all-powerful rulers who could direct society as they pleased, were themselves at the mercy of ungovernable forces; scientists and technical men produced end-results which they did not foresee and did not desire; bankers were endangered by the common confusion; wage-earners had neither security in their work nor power over the world; even the consumers, in whose interest the industrial system was theoretically supposed to be adjusted, resembled donkeys in a treadmill more than free citizens of an economic democracy. A basically individualist and competitive society, by its very nature, resisted social control. It was a body without a central nervous system, without a brain.

The frame of reference which we needed in order to give our lives meaning was not only lacking in society itself, it was lacking in the liberal philosophy, adherents of which hoped to improve affairs. There is a contradiction at the very heart of liberalism. Many who are called liberals are not satisfied with the way our society has turned out; yet that society itself is based on liberal principles, and is now defended by liberal slogans. Espe-



cially it is defended by the declaration that economic freedom is desirable—that is, the supposed freedom of private business to do what it pleases with a minimum of governmental interference.

The central mistake of liberalism is derived from the circumstances under which it arose. The early development of science, of industry and commerce, required freedom from the restrictions of church and autocratic political rulers. Those who desired these freedoms from specific outworn institutions dignified their revolt by the false assumption that they wanted not merely certain liberties, but Liberty—an abstract and universal right, which was decreed by Nature. (Nature was another abstraction which was invoked as the opponent of the narrow and “artificial” God of Mediæval religion.) Yet there is no such thing as abstract and universal Liberty. It is a physical impossibility to be free to do everything at once: some liberties obstruct others. We must choose which liberties we want most. At present we need freedom from the restrictions placed upon the personality by a chaotic society which is the natural accompaniment of a belief in planless Liberty. The liberals were right in emphasizing the importance of the individual; they were wrong in not perceiving that the individual could reach his full development only in a soundly organized society. Social needs and individual needs are not antithetical as liberal philosophers have believed, and the correct relationship between them is not one of compromise, with emphasis on individual rights. They are complementary. The individual cannot flourish unless he is adjusted to

the life-giving compulsions, as well as being freed from the death-dealing ones. Liberalism, in spite of its historic rôle and its valid insights, does not give us the key to the puzzle of the new world.

Can we, then, find what we want in traditional revolutionary philosophies? It is a fascinating game to survey the various suggested utopias, and decide which one we should like, if we could get it. This game may provide imaginative satisfaction, a retreat from reality similar to that of religion. It may even electrify the individual into action. But it is meaningless for society except in so far as active and objective forces may be working toward the utopia which the individual favors. Karl Marx was profoundly correct in believing that the only possible revolution is one which grows out of the kind of society we have. It is not so certain that he was correct in predicting the exact nature of the revolutionary process. In spite of his scientific pretensions, he was essentially a prophet, expressing a strong desire for a better order. Social science provides no positive assurance that capitalism must in the end collapse of its own weight, that a world-revolutionary situation will arise when capitalism has grown to over-ripeness, that the class struggle generates the one dependable motivation for revolution, and that a dictatorship of the proletariat will in the end forcibly overthrow the capitalist state and create a classless world society. Things may happen everywhere in this way, but there are reasons for doubting it. If the Marxian hypothesis happens to be untrue, action based upon a blind faith in it is as deceptive

as adherence to any other imaginary utopia. Likewise there are reasons for doubting that socialist parties utilizing constitutional democratic methods can achieve real revolution in that way alone. It is well that each group is acting on the assumption that it is right, because of the chance that an objective situation will arrive which will prove one or the other of them to be right. In any case we could hardly do without the fertilization of ideas and action which they supply. But it is probable that neither Communists nor Socialists have said the final word about the technique of social change.

One important trait of human nature—an apparently unconquerable trait—has been overlooked both by the liberal-conservative economists and the Marxians. Both of these located the prime economic motive in the desire for material gain. One school looked to this motive for social benefit, the other for eventual revolution. But a trait of at least equal force is the habit of organizing one's job, one's group. It is found in primitive tribes, in early agricultural societies. The organizing trait is what prompts invention and technology—the very forces which now are seen as basic in initiating social change. At the beginning, the organizing habit was slow, uncertain, barely conscious. Organizations of work, of play, of groups, were the product of accretion, of trial and error, of survival under natural selection. But, since the beginning of modern science, a definite and conscious technique of organization has been worked out. It is exemplified, in some industrial concerns, by scientific management. It depends on systematic research, fore-

sight, planning, coöperation and control. This conscious technique is far from pervading our whole social structure, but it has arisen within it and has accomplished amazing results in certain parts of it.

Technique, making more efficient our tools, our machinery, our single plants and companies, has broadened the areas of interdependence, the areas which it is necessary to organize. At the same time it has made the task of organizing the broader areas more feasible, by bringing the smaller ones under control and working out dependable principles of organization. Suggestions of collective management, which in former generations were utopian because there was no technique by which to operate them, are utopian in that sense no longer. Insight into the need and possibility which have thus arisen is what prompts the many suggestions for economic planning. The organizing man, having achieved victory after victory on a small but widening scale, now demands a chance to organize society. The organizing man confronts the old "economic man" who is out for private gain and seeks it in chance, hunch and speculation. By this I do not mean to imply that the engineers as a group are arrayed against the business men as a group. I mean that the habit and trait and idea of order and planning, which in some degree is possessed by nearly all, is now opposing, on a scale as broad as the whole of society, the habits and traits and ideas which lead men of all classes to cling to social chaos. I point to the trait here dramatized under the name of the "organizing man" as the force upon which we must count

for radical social change. It has its roots in our society, it has already created the conditions which necessitate collective planning, it provides, in principle and in embryo, the technique by which the changed society may be successfully operated.

I do not offer the organizing man as a necessary substitute for the class struggle and the proletarian revolution in the actual process of social change. It may well happen that a revolutionary proletariat will become the chief embodiment of the idea of planning and control, and that the economic man which the organizing man opposes will become identified with the present rulers of business. But I do contend that whatever social group eventually becomes dominant under the conditions of modern industry will do so, not primarily because of its material suffering or its class status, but because of its support of, and ability to operate a planned economy. For, unless our society is to disintegrate and go back to a more primitive state, unless it is to abandon machine technology, it must plan and control itself as a whole.

We have long experienced, in detail, the necessity for economic control in pursuit of social purposes. The area of governmental activity and interference has steadily grown wider, while private aggregations have attempted control in their own interest. We have experimented with control, we have abandoned complete laissez-faire, not because we wanted to do so or had a social creed which drove us in that direction, but because we were compelled. We have pretended that we

were preserving individualism all the time, and have backed into a partially regulated system without looking where we were going. But regulation devised in this clumsy manner does not work well. It is self-contradictory; it does not visualize a national economy; it is not mobilized about any general objectives. Proposals to abolish regulation, to go back to ideal and primitive capitalism, are more fantastic and unreal than any utopia. We must turn about and go forward into control, with foresight and plan, if we are to do a good job of it.

We are not entirely without experience of national economic planning. People who think of it as something imaginary and impossible should remember that we actually worked it for a few months during the War. This experience does not supply a good model for peace-time planning, but from it something can be learned. The main lessons are, that in order to succeed we must have an objective which arouses general loyalty and enthusiasm, that this objective must be capable of more or less exact definition as a guide to policy, that, instead of depending on the free play of prices, profits and wages to direct production, we must control all of these to the end that purchasing power is mobilized, and is increased as power to produce is increased.

Nor is the world without an experiment in peace-time planning. The most interesting fact about Russia is not that she had a revolution (this revolution, at the time it occurred, was not at all the sort of thing Marx had predicted). The interesting fact was that those in con-

trol, after the revolution, were forced to develop a planned economy in order to serve the interests of the masses, enlist the necessary enthusiasm, and build a solid basis of power in lasting popular consent. The particular sort of plan with which the U.S.S.R. began is not adapted to the problems of a highly developed industrial nation, but the general aims which it adopted and the technique of planning which it has worked out (largely on the basis of our own industrial technique) are full of stimulating suggestions for any other nation which wishes to plan collectively. Soviet planning methods are like our existing practices in important respects, and unlike ours in important respects. They indicate how broad a foundation exists in our society for social-economic planning, and suggest what kind of changes we should have to make in order to build a harmonious structure on this foundation. The successes and failures in the Russian experience already provide a tremendous object lesson for the world, and are likely to be even more absorbing in the future.

The economic setting of any attempt at peace-time planning in the United States is provided by the fact that our existing productive facilities and technical competence would permit a far higher general standard of living and far more security than we now enjoy. The main objective of planning would have to be, at first, an increase in the standard of living, especially by raising the lowest incomes. This would involve means of raising wages and farm incomes without increasing prices on the average, control of new investment and of credit

in accordance with planned requirements of production and consumption, and elimination of purely speculative profit. We might start to seek this end by setting up a national planning board of experts disinterestedly devoted to the ends in question, which would have the task of accumulating the necessary information, correlating it, working out broad policies, and supervising the organization of productive and distributive industries, of banking, of agriculture and the labor market, for the purpose of team-work in accomplishing the national purpose. Here is a concrete, definite way to tackle the job—if we want to do it.

At this point there arises a discordant chorus of ridicule and skepticism. It ranges from the extreme right to the extreme left. The protests from the right consist largely of repetitions of formulas about freedom, about the inherent impossibility of planning, and about the successful “working” of the capitalist system. These formulas it has been the main object of this book to demolish. They represent the survival of old habits of thought and action, and, in many cases, of exclusive interest which is well enough satisfied with the existing state of affairs. A rapidly growing number of persons believe that they are mistaken. It is beside the point here to repeat the reasons why they are wrong. To those who have followed the argument so far with substantial agreement, the troublesome question about these protests is not whether they are right, but whether they will be influential enough to prevent action. An economy planned for collective ends may be both desirable and



technically feasible, but still we cannot have it if there is not the power to put it into effect.

The protest from the left emphasizes this aspect of the matter. Some say that we cannot even attempt to plan without first having an overturn which will take away the factories, the railroads, the mills, the mines and the land from their respective private owners, who now rule our state, and whose interest prevents drastic change. Others say that though planning may be attempted without first getting rid of private ownership in productive facilities, it will not work, or will work only to the advantage of these owners. In other words, the argument is that it is useless now to talk about planning, or to recommend it, because we must rely on the class struggle and the seizure of power by the workers to create the only conditions under which collective planning is possible. The only thing we can legitimately talk about is what Karl Marx talked about.

These protests from the left are more disturbing than the protests from the right. They are disturbing to me, however, not for the reason which those who utter the protests may imagine. Those on the extreme left are inclined to assert that anyone who disagrees with them does so because his class interest makes him dread a revolution. Any reasonably humane person, to be sure, is likely to fear the prospect of civil violence. But that is not the principal misgiving which the revolutionary point of view arouses. The most disturbing reflection is that, while the Marxists may be right about the impossibility of successful social planning without revolu-

tion, they may be wrong in believing that a social revolution will occur. In that case, the modern world could never have the planned economy which it needs. For we cannot have a revolution just because a few people want it; we cannot, in accordance with the old formula, make a deliberate choice between evolution and revolution.

A distinguished economist and student of international affairs recently expressed to me his private opinion that modern civilization was due, not for a sudden collapse out of which something better would arise, but for a long decline similar to that by which the Roman Empire slid into the Dark Ages. A hundred years from now, he predicted, historians would be talking about that great age of mechanical civilization which reached its apex about 1914. This prediction was based, not on a mystic and vague analysis like that of Oswald Spengler in "The Decline of the West," but on the perfectly definite observation that, though we have built up a society which must be managed intelligently in the general interest, it is too big and complex a society for mankind so to manage. He did not mean by this that there were not enough men with the technical ability to manage it, but that mankind in the large lacked the political competence and the moral integrity to place these men in power and to follow their leadership. I think substantially the same nightmare haunts the dreams of many intelligent men to-day. In comparison with the misery and degradation inherent in such a prospect, the temporary disturbance of a successful Communist revolution would be a pleasant alternative.

I asked this Jeremiah whether he believed this course of events was inevitable in the sense that there was no use in fighting against it. He replied that while he believed it was inevitable, he was going to fight. In that answer lies the sign that he was probably wrong. There is something in mankind that forbids permanent surrender to disorder, ignorance, regression, no matter how hopeless the struggle may at times appear. The values inherent in the effort to build, to organize, are of primary and lasting importance; they are in harmony with man's own organic being. No matter what the prospect of defeat, there will always be those to fight, and the very effort which they make, aside from its objective result, will enshrine within themselves for the benefit of the future the dignity and meaning, the scale of values, which are necessary for every victory over chaos.

But how to fight, in this instance? If the means of victory must be the competence of man to master his own inventions, the process must be, essentially, one of education—of self-education and social education. Man must understand his experience, he must derive from it the desire for dealing to better purpose with the forces which surround him. He must learn by doing, by trial and error, by a process, first of fumbling, then of more conscious and reasoned experiment, what it is necessary to do in order to attain mastery. That is the reason for pointing out the need for collective planning, for enlisting support of the idea wherever that support may be found, for suggesting ways to begin, for accepting and trying partial measures even if the opportunity for a

clean sweep does not yet appear. We can extend in a hundred different areas and activities the planning which has already begun; we can strive for national or world objectives which, though not complete and final, are steps toward better planning. For by a ladder of this sort society may climb, rung by rung, to a greater ability to deal with its central difficulty.

The method of beginning in the United States suggested in the previous chapter is not set forth as a utopia. It is essentially an educational device. It has an educational value even if it is never tried in this form, because it offers a center for the mobilization of ideas. It is, too, a challenge to inaction. If it is tried, it offers a means of testing what is necessary in order to achieve the ends in view. If the motives and ideas of the propertyless are the only reliable basis on which to found a planned society, a concrete proposal of this sort, which offers a chance to owners of property and the present managers of industry to collaborate, can prove that fact by test. If they persist in refusing even to try to do the things which, it can be demonstrated, are necessary to do in the general welfare, a constant agitation in behalf of social planning, bearing upon concrete proposals, will give point to their refusal. If they do try, but fail because of their middle-class inhibitions, their incompetence will be more clearly demonstrated by trial than it can be by propaganda.

Every step in the direction of planning for social ends must be a step away from capitalism, no matter how that word is defined. The more advanced stages of a planned

society must be something closely akin to the broad ambitions of socialism. Many industrialists who have talked vaguely about national planning do not understand how large a break any effective plan must make with the traditional conception of profits. It is of the essence of an effective plan to put public interest above private and, in doing so, to dispel uncertainty about the future as much as possible. This means that speculative profits must disappear. Social utilities cannot, under a desirable plan, be converted into private fortunes. Profits as a payment of management or for the benefit of workers, profits to be reinvested according to plan, interest as an inducement to investment, may remain, but they must of necessity be limited and regularized. The practical freedom of most citizens of the economic world would be increased under planning, but the freedom of the owner of capital to do about as he pleased would be diminished. Will industrial management be willing to accept security of return as a substitute for possibly great windfalls? Will it really prefer regularization to competition and risk? Is the chance to do a good job a strong enough motive with the existing managers of industry, to supersede gambling? On this depends the opportunity to plan nationally, without ejecting the existing management from power.

But all this does not imply that capitalism is a sharply outlined and systematic way of conducting affairs, definitely contrasted with another well defined way called socialism, and that it is impossible to change from one

to the other without a sudden click which will abolish all of capitalism and substitute for it all of socialism. Capitalism is fundamentally unsystematic; that is its chief characteristic. Anything which introduces an element of conscious system into it changes it, not merely in degree but in kind.

We already have drifted far from a primitive and complete capitalism; the rights of property have been shaved down in dozens of directions. It is a commonplace of economics, for instance, that a bondholder, who has a right only to a fixed rate of interest and the return of his investment at a certain date, but no power of direction or control, is not the same kind of owner of productive capital as is the proprietor of a small business. If we should create a system of national economic planning under which the vagaries of production, prices and wages were so regularized that there was no longer much chance for speculative gains and losses, under which the management of industry directed its operations not independently and competitively but within the framework of a general national program, and in which the owners of capital and the recipients of profit could not even invest it except according to social plan, we should have a system in which all private capitalists were even more restricted in their property rights than bondholders are to-day. This would be much closer to abstract socialism than to the capitalism of classical theory. And yet it is barely conceivable that such a situation might be brought about, in the course of economic planning, with-

out any confiscation of property except by the customary and sanctioned means of regulation and taxation.

It would be idle to assert that progress in this direction can be achieved without determined and bitter opposition on the part of those who benefit from such anti-social institutions as speculative gain and monopoly profit, any more than progress in economic regulation and taxation has been so achieved in the past. And yet it does not follow that all those called "middle class" by the revolutionaries would suffer by, or oppose this progress, and that it could be supported only by propertyless wage-earners. The frustrations of an unplanned system impinge on the freedom of persons in almost every stratum of society; this has been clearly demonstrated in recent years. In the past, many who suffered most from the lack of order have sanctioned the ideas of those who suffered least from it because of the historical prestige of these ideas and the lack of any alternative capable of commanding reasonable loyalty. There has probably been as large a proportion of persons holding to "bourgeois ideology" among wage-earners themselves as among any other economic group. In spite of this fact, great changes in capitalism have already been made. As the criticism of capitalistic chaos becomes more widespread and more pointed, as the experience of it becomes more conscious, as the possibility of an alternative becomes more fully understood, we may expect a much larger public to be ready to sanction measures of rational control. The prestige of those who oppose

social planning will not continue to be so high. And this tendency is of absolutely first importance in any process of fundamental change. For the history of great periods of social revolution teaches us that before any general alteration of habits and institutions takes place, the leading ideas of the old régime lose their authority among many of the members of the dominant class itself. The rulers cease to have faith in their inherited principles. The citadel crumbles from within; it is not merely stormed from without. This fact gives us hope that the opposition of those who have the most to lose by a change toward a collective economy may not provide an insuperable bar to progress, that a sufficiently powerful movement to inaugurate the change may arise, even in default of a strictly proletarian revolution.

One must not, of course, be deceived by the dissatisfaction expressed on every hand during an industrial depression. It is quite possible that the depression during which this book is written will begin to disappear before many have read it; that the credo of prosperity will be furbished up again; that the mere fact of recovery will be used as an argument to silence all complaints. In that case, those who based their prediction of changes on their belief that this was a final collapse of capitalism will be discredited.

The fight for a planned economy is likely to be a long and arduous one. Successive depressions may etch it a little deeper on the popular mind; but as long as that sort of prosperity which normally intervenes between de-



pressions is accepted as generally desirable, people with short memories (and most people have short memories) will continue to be satisfied to take their chances with the business cycle. Many of them will, with the return of prosperity, even assume that another such depression is not in prospect—at least, not during their lifetimes. I hope that, in that case, books like this will not be laid away in dusty attics, to be brushed off again, if ever, only when hard times return. For what they advocate is not just a patent remedy for depressions, a safeguard against sinking spells in the stock market. They are pointed toward a new and better set of values as a framework of individual lives.

Social-economic planning is not merely a device to give everyone a bathtub and a Ford—though the first objective naturally must be to raise the lowest standards of living, not to speak of providing everyone the assurance of enough to eat and wear. But, after such modest goals are achieved, it may appear that people really do not want to go much further in that particular direction. We may be more interested in the quality of our satisfactions than in the quantity. We may want more beautiful communities in which to live, more chance to get back to the woods, to have camp-fires, to swim, to fish, to hunt. We may want to paint pictures, to act in plays, to grow gardens, to read, to make our own furniture. We may decide to decentralize industry geographically, to make fewer things by machine and have more chance to create variety for ourselves. Dis-

cussions about such cultural questions will become increasingly important. But the chief cultural value of planning will remain what it is at the start. Instead of being individually at war with society, instead of being baffled and burdened by an irrelevant environment of social forces, we shall be at work, through society, mastering our life and creating it as a whole. We shall have a warm and active bond with our fellows.



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